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**ECONOMIC PROBLEMS CONFRONTING SMALL
BUSINESSES IN RURAL GEORGIA**

HEARING
BEFORE THE
SUBCOMMITTEE ON
RURAL ECONOMY AND FAMILY FARMING
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE
ONE HUNDREDTH CONGRESS
FIRST SESSION
ON
ECONOMIC PROBLEMS CONFRONTING SMALL BUSINESSES IN RURAL
GEORGIA

FORT VALLEY, GA—JULY 20, 1987



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ECONOMIC PROBLEMS CONFRONTING SMALL BUSINESSES IN RURAL GEORGIA

MONDAY, JULY 20, 1987

U.S. SENATE,
SUBCOMMITTEE ON RURAL ECONOMY
AND FAMILY FARMING, OF THE
COMMITTEE ON SMALL BUSINESS,
Fort Valley, GA.

The Subcommittee met at 10 a.m., in the Auditorium, Fort Valley State College, Hon. Sam Nunn (Acting Chairman of the Subcommittee), presiding.

Senator NUNN. I want to thank you all for being here today. I will call the meeting to order. This is officially a meeting of the Small Business Committee of the U.S. Senate. Senator Fowler is on the Agriculture Committee. I am on the Small Business Committee. Congressman Ray has joined us here this morning. We have many distinguished guests.

Let me start the program initially by thanking Dr. Burse for allowing us to be in this wonderful new facility. And Dr. Burse, I know you would like to say a few words of welcome.

STATEMENT OF DR. LUTHER BURSE, PRESIDENT, FORT VALLEY STATE COLLEGE, FORT VALLEY, GA

Dr. BURSE. Thank you very much, Senator Nunn, and good morning, ladies and gentlemen.

I wanted to simply express the profound appreciation of the Fort Valley State College faculty and for that matter the middle Georgia community, for having this hearing held here on our campus in the new C.W. Pettigrew Farm and Community Life Center. This is the kind of activity that certainly we look forward to having in this facility.

Let me just say to those of you who are guests today, know that you are welcome and certainly we would look forward to your holding some kind of program, some kind of conference, some activity associated with your responsibilities here in this center as well.

Again, I want to thank Senator Nunn and Senator Fowler and, of course, Congressman Ray, for being here. Just know that we appreciate this opportunity.

Senator NUNN. Thank you, Dr. Burse, and now I will call on my colleague in the Senate, Senator Fowler.

Senator FOWLER. Senator Nunn, of course I am delighted to be here with you. I do want to join Sam in my thanks to everyone

here at the college and also the State, Federal and private enterprise that has helped us to have such a complete agenda for today.

We have an awful lot of people, both who are experts and suggestors and every kind of mix, so we have a very full agenda today and we hope all of you can stay for as long as possible, but we are going to try to move it expeditiously so that everybody has a chance to say their piece and let us learn something.

I want to welcome my colleague. I am kind of getting it backward there, you ought to be welcoming me. I am especially pleased to be sitting between two of middle Georgia's finest representatives, Sam Nunn and Richard Ray. Richard and I served in the U.S. House of Representatives for 10 years. He is my friend, and we have worked together long before I sought my seat in the U.S. Senate. He has been an excellent representative. You can always tell the quality of a Congressional District by the people that they and you elect, and in Richard Ray we have one of the finest on behalf of all of Georgia. Richard has just fought a little battle with the hospital. It looks a hundred times better and I am delighted to be in your territory with you, Richard.

STATEMENT OF HON. RICHARD RAY, A CONGRESSIONAL REPRESENTATIVE FROM THE 3d DISTRICT OF THE STATE OF GEORGIA

Representative Ray. Thank you, Wyche.

It is my pleasure this morning to be here with my colleague, Senator Nunn, who is also my mentor, my boss, the fellow who I thought taught me all that I know in politics until I got over in the House of Representatives. I have to say that when I was in the Senate working with Senator Nunn, I looked down on Wyche Fowler and the House of Representatives, thinking what do we need that bunch for at all. But now that I have gotten into that particular area, I find that indeed, Senator Nunn, I have a lot to learn. So it is a pleasure to be here with you and Wyche, who has worked with me very closely for a number of years.

Dr. Burse, distinguished panel, Larry Walker, ladies and gentlemen, it is my pleasure this morning to give just a little word of welcome to you. I am very pleased to do so from the Fort Valley State College, which is a wonderful institution being led by Dr. Burse and his very able staff, it has done so much for this area and for Georgia and indeed for the Nation.

I am pleased this morning also that this hearing is being held in Fort Valley and the Fort Valley State College. Fort Valley and Peach County are excellent focal points for the areas of rural Georgia. This meeting is being held in this new facility, the Farm and Community Life Center. This impressive Center will be the setting for conferences and workshops on issues facing farmers and agricultural communities. I commend Dr. Burse and his faculty for providing credible leadership and for putting together this program and this wonderful activity that we are going to experience today.

I am familiar with the problems and concerns of the counties of rural Georgia. Many of them depend for a large portion of their tax base on income derived from timber, agriculture, mining, beef or dairy farming. The depressed agricultural economy of the past few

years has not been good for rural Georgia and I am especially familiar with the 21 counties of the Third District, nearly all of which depend heavily on income generated from small businesses, light industry, and agriculture. Economic growth, of course, is needed to provide an adequate tax base not only to create jobs but to support quality education and adequate health care.

The high infant mortality rate and school dropout rate are good indications of a lack of a viable economy in areas where this is most prevalent. It is important that those of us who are in local, State and Federal government remember where these areas are and do what we can to aid and assist them. We can be thankful that through the years rural America has been remembered.

Senator Nunn and Senator Fowler follow in the footsteps of giants such as Senator Richard Russell and Senator Herman Talmadge. These two strong individuals were strong advocates of legislation benefitting rural areas including the Rural Electrification Act and the Rural Development Act. They were strong proponents of Federal assistance to rural areas but they realized, as we do, that the State and local governments of these areas must also play a role.

The question is, "what role should the Federal Government play?" and "what role should the state and local governments play?" We have a Rural America Caucus in the House of Representatives which works to try to address this and other issues and I am sure that the subject of this hearing today, which is economic development in rural Georgia and rural America, will bring out a lot of these problems and concerns and give us some support in this particular area.

So ladies and gentlemen, it is my pleasure to be here today. I look forward to attending this informative hearing. Again, Senator Nunn, Senator Fowler, Dr. Burse and all the distinguished individuals that are here today, thank you for putting together this wonderful meeting. I know it is going to be beneficial.

Senator NUNN. Thank you very much, Richard. It is my pleasure now to introduce a man who has been an outstanding Mayor of the City of Fort Valley. He has been a great friend of mine for a long time, Mayor Pete Peterson. Pete.

STATEMENT OF HON. PETE PETERSON, MAYOR, FORT VALLEY,
GA

Mayor PETERSON. Thank you, Senator.

Senator Nunn, Senator Fowler, Representative Ray and other distinguished members of the panel up here and all you distinguished guests out there, as Mayor of the City of Fort Valley, I certainly would like to welcome all you distinguished people. We are delighted to have you in the City of Fort Valley. It is not often that we get such a distinguished group all at one time in this city and we are certainly very happy to have all of you here.

At this time, I would like to ask that all of us stand and we will have the pledge of allegiance to the flag.

[All attendees rose.]

Mayor PETERSON. If you will all repeat the pledge of allegiance.

[In unison:]

I pledge allegiance to the flag of the United States of America and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Thank you.

**STATEMENT OF HON. SAM NUNN, A U.S. SENATOR FROM THE
STATE OF GEORGIA**

Senator NUNN. Thank you very much, Pete.

Mr. Fowler and I are going to make brief opening statements and I underline the word brief, this morning. I have gone through and scratched out a lot of mine. We will put them all in the record. We have a large number of people who are going to be making presentations this morning and we have asked everyone to try to keep their remarks somewhere in the five to 10 minute range, which will give us an opportunity to have discussion between the panelists and give us an opportunity to ask questions. So we are going to try to expedite the procedure. We particularly have a tight schedule this afternoon and therefore, I want to inform everyone that we are going to start back after lunch at 1:30 rather than at 2. Mr. Fowler and I have to catch a plane back to Washington and we are going to have to depart at 4, so the hearing will close at the original schedule time, but we will cut lunch hour by one half hour and that means that we need to run on time this morning also, so that we can do that and pick up a half hour at lunch.

Again, I want to thank President Burse for his hospitality, Richard Ray for welcoming us here today and Pete Peterson, Mayor of Fort Valley for allowing us to be in this wonderful community. I want to also thank vice president Younts of the University of Georgia for his help in planning this and the Chairman of the Small Business Committee, Senator Dale Bumpers, for allowing us to have this official hearing of the Small Business Committee, most notably the Subcommittee dealing with rural development, here in middle Georgia.

Senator Fowler and I are grateful to all the witnesses who have come this morning to share your knowledge and experience while we explore the changing needs of rural Georgia and how we can shape Federal policy and work with state and local government to help meet those needs.

Congressman Mo Udall, a colleague of Wyche Fowler when he was in the House and Richard Ray now, once walked in a hearing and said, "I'm for full employment, prosperity, an end of Communism and peace in our time. Now I've got to go to another meeting, you fellows work out the details." [Laughter.]

Today, we are not announcing great, lofty goals, we are really here to discuss details. We are not here simply to define the problem, we are here in search of answers for the serious problems we know about and the great opportunities we know about in rural Georgia.

Georgia has grown faster than the rest of the Nation in recent years and has grown more prosperous in relation to the rest of the Nation. As the State has moved closer to national averages in crucial areas such as per capita income and educational attainment, most of the growth has been around urban centers. Many rural

counties have slipped farther behind by nearly every measure of wellbeing: Income, health, education and jobs. And there are other rural counties that are the exception. We are going to hear about problems today, but we are also going to hear about success stories.

We all know something about the farm problems; drought, a killing cost-price squeeze, over-priced dollars and changing worldwide consumer patterns, have produced what many would call a serious recession and others would call a depression in the farm community. Georgia farmers know that well.

As farm incomes drop and more farm families have experienced difficulties in meeting debt payments, businesses related to farming or dependent on farmers' patronage have suffered. It is not only the farming community itself, it is agribusiness and it is the entire community surrounded by farms and agribusiness.

At the same time, many factories in rural counties faced with competition from low wage imports, have cut back on jobs or moved offshore. That is what we call a one-two punch, both the industrial and the agricultural segment have suffered in recent years.

Over the last 6 years, rural areas have also been especially hard hit by the elimination of revenue sharing and cuts in Federal programs—the Farm Home Administration, Economic Development Administration, Small Business Administration, and certain social services. With the huge Federal deficit, this squeeze is likely to continue. With land values and incomes down, local revenues are also down. At the same time, these problems have increased the stress, and therefore the need, for revenue at the local area.

I will not go into detail, I will put my statement in the record, but there are a number of very acute problems, both in education and in health, that affect rural areas.

For the first time, however, in Georgia history, Georgia's new young workers are approaching the national average in formal schooling, so there are many sunny facts that we need to emphasize. Where once we exported our educated young people, we are now not only keeping most of them, but we are attracting better educated people from other states. Although our total work force will remain below the national average in education for some years to come, this gap should be significantly reduced by the year 2000. And I know Governor Harris' new education program is going to play a major role in that regard.

But even here in education, it is unevenly distributed, with the educated youth leaving many rural areas for lack of opportunity. Rural students have less opportunity for experience with computers and are far more likely than the average urban student to require remedial courses in reading, science and mathematics before they can begin the regular college curriculum.

We are not going to find easy answers to these problems. There is an old saying that for every complicated, complex problem, there is an answer that is simple, that is easy and that is wrong. We are not here to pronounce one answer. But—with all the problems—rural areas, and I think especially here in Georgia, have a lot to build on.

As school enrollments level off and even decrease, the need for capital expenditures in rural areas should ease, enabling school

systems to concentrate scarce resources on better teaching. Modern technology frees many jobs from dependence on scientific—or specific rather—resources or even proximity to population concentrations. There are an awful lot of opportunities that technology opens up for areas that are not directly accessible to urban areas.

Rural areas today can afford to think small, but they must think creatively. Small cottage industries based on local crafts or specialties can provide new jobs. Most new jobs in America are created by small businesses and when capital can be made available, rural counties can really involve themselves in low startup costs that are a great advantage for many small businesses.

Agriculture is of course a key subject. Agriculture that takes advantage of nearby growth markets in urban areas such as vegetables, fruit, non-traditional foods and also landscape plants offer hope for many farmers, in my view. For others, expanded conservation reserves and timber resources offer annual payments for placing erodible land that has been in production into the forest industry, while providing an opportunity to develop hunting or recreational uses for extra income. We are going to hear about some of those opportunities this afternoon from the Extension Service.

Careful analysis of market potential and effective marketing are critically important if farmers are to adjust successfully to changing conditions. Georgia also has many resources that rural communities can draw on, not the least of which are the many offerings from the research and other services at our universities, including Fort Valley State where we are today.

We are the largest landmass east of the Mississippi and the largest in the southeast. With a long growing season and more abundant water supplies than most of the Sun Belt, Georgia is ideally situated to take advantage of many growing employment opportunities including recreation, tourism and retirement.

One thing that we should consider in the distress in agriculture that distinguishes us from a large part of the agriculture community in America; a lot of our farm land is located between the huge urban growth area of Atlanta, the Atlanta area and north Georgia and the huge growth area in Florida. I think that provides Georgia farmers with unique opportunities that have not yet been anywhere near fully exploited, and I hope we can emphasize that. If you are farming out in the midwest, there are just a few crops that you can really expect to compete in. Farming here in the southeast, particularly in Georgia, with this mushrooming growth to the south and to the north, provides ample opportunity if we have the imagination and the capital and the vision to take advantage of it.

We are going to talk this afternoon about aquaculture, commercial hunting, direct marketing of fruits and vegetables and ornamental horticulture; all of these things are exciting possibilities. Rural areas can have great appeal when they can offer traditional values, open spaces, friendly communities, basic amenities and economic opportunity.

We hope to hear suggestions today as to how the Federal Government, State governments and local cooperation can better serve our rural areas in Georgia. Later in this program, we will be hearing some success stories that other communities can learn from.

But the one common denominator of all of these success stories is strong, dedicated, creative local leadership.

[The prepared statement of Senator Nunn follows:]

STATEMENT OF SENATOR SAM NUNN

I want to thank President Burse for his kind hospitality, Vice President Younts of the University of Georgia for his help in planning, and Senator Dale Bumpers, who is chairman of the Small Business Committee. We are grateful as well to all of you witnesses who have come to share your knowledge and experience with us as we explore the changing needs of rural Georgia and how we can shape federal policy and work with state and local government to help meet those needs.

Mo Udall once told a hearing like this, "I'm for full employment, and the end of Communism, and peace in our time. You guys work out the details," and left. Well, I'm for full employment and the end of Communism and peace in our time, but I'm going to stick around and hear your suggestions about how to work out the details. Lately, in the Iran-Contra hearings I've heard a lot of testimony from people who felt they had been given a mandate and left to work out the details of how to carry it out by themselves, and I haven't been real comfortable with the results.

Georgia has grown faster than the rest of the nation in recent years, and has grown more prosperous in relation to the nation. As the state has moved closer to national averages in crucial areas such as per capita income and educational attainment, most of the growth has been around urban areas. Many rural counties have slipped farther behind by nearly every measure of well-being -- income, health, education, jobs.

In the booming 1970s of fence-row to fence-row planting, millions of acres of fragile, marginal land were brought into cultivation, dramatically increasing soil erosion and the use of chemical fertilizers and pesticides, with resulting damage to our land and water. Drought, a killing cost-price squeeze, over-priced dollars and changing world-wide consumer patterns then produced a Depression that for many Georgia farmers has been as pronounced as that of the 1930s. As farm incomes dropped and more farm families have experienced difficulties in meeting debt payments, businesses related to farming or dependent on farmers' patronage have suffered. At the same time, many factories in rural counties, faced with competition from low-wage imports, have cut back on jobs or moved off-shore.

Over the last six years rural areas have also been especially hard-hit by the elimination of revenue sharing and cuts in federal programs -- Farmers Home Administration, Economic Development Administration, Small Business Administration and in certain social services. With land values and incomes down, local revenues were also down, at the very time additional stresses have increased the needs.

We have also discovered in recent years that rural death rates at all ages in Georgia are now higher than for urban areas. Infant and maternal mortality is greater, deaths from auto accidents are 83% higher, from heart disease and strokes 39% higher in rural areas, to name just a few. The only category where urban residents are in greater danger is homicide.

These dramatic changes from only 25 years ago are closely related to poverty rates and low educational levels in many rural areas, but they also relate to health care access. The shortage of doctors and dentists in most rural areas has grown worse. Children and people over 65 make up larger proportions of rural populations, and a larger percentage of people are dependent on Medicare and Medicaid.

In addition, growing numbers of farm families who are not eligible for such programs because they own land and equipment with which they earn their living, have incomes too low to pay for needed medical care. Even once prosperous farm families in many areas are postponing preventive care and waiting until health problems become serious before seeking medical help. Adding to the problem, new federal cost cutting regulations have put additional pressures on rural hospitals and already inadequate mental health facilities.

Education, which we have long seen as the way out of economic and development problems -- and I think rightly so -- is also severely strained in many rural areas. The nationwide shortage of trained mathematics and science and foreign language teachers is especially acute in rural areas.

For the first time in history, Georgia's new young workers are approaching the national average in formal schooling. Where once we exported our educated young people, we are now not only keeping most of them, but attracting better-educated people from other states. Although our total work force will remain below

the national average in education for some years more, this gap should be significantly reduced by the year 2000. But this, too, is unevenly distributed, with the educated young leaving many rural areas for lack of opportunity. Rural students have less opportunity for experience with computers and are far more likely than the average urban student to require remedial courses in reading, science and mathematics before they can begin the regular college curriculum.

With all the problems, rural areas, especially in Georgia, have much to build on. As school enrollments level off and even decrease, needs for capital expenditures should ease, enabling school systems to concentrate on better teaching. Modern technology frees many jobs from dependence on specific resources or even proximity to population concentration. Rural areas can afford to think small -- but creatively. Small cottage industries based on local crafts or specialties can provide new jobs. Most new jobs in America are created by small businesses, and when capital can be made available, rural counties can mean low start-up costs for small businesses.

Agriculture that takes advantage of nearby growth markets in urban areas -- such as vegetables, fruits, non-traditional foods and landscape plants -- offers hope for some farmers. For others, expanded Conservation Reserves offer annual payments for placing erodible land into forest, while providing an opportunity to develop hunting or recreational uses for extra income. Careful analysis of market potential and effective marketing are

critically important if farmers are to adjust successfully to changing conditions.

Georgia also has many resources rural communities can draw on -- not the least of which are the many offerings from the research and other services at our universities. With the largest land area east of the Mississippi, and the largest in the Southeast, a long growing season and more abundant water supplies than most of the Sunbelt, Georgia is ideally situated to take advantage of many growing employment opportunities, including recreation, tourism and retirement. This is borne out by the fact that Georgia has the largest in-migration of people over 65 in the Southeast except Florida.

Rural areas can have great appeal when they can offer traditional values, open spaces, friendly communities, basic amenities and economic opportunity. We hope to hear suggestions from you how federal, state and local cooperation could serve you better in providing such conditions. Later in the program we will provide some success stories that other communities can learn from, but I can tell you now that one thing they all have in common is strong, dedicated, creative local leadership.

We have come not to provide answers, but to ask you questions and get answers from you.

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Senator NUNN. Senator Fowler.

**STATEMENT OF HON. WYCHE FOWLER, Jr., A U.S. SENATOR FROM
THE STATE OF GEORGIA**

Senator FOWLER. Senator Nunn, thank you and thank you for that very fine statement that I think covers our purpose as well as sets the stage for hearing from experts from all walks of life in rural Georgia, and that is the reason we are here.

I am of course especially pleased to be here with you, with the senior Senator from the State, a man of reputation, middle Georgia's own Sam Nunn.

I do believe that the presence of both U.S. Senators from our State here today will show to those in our audience and hopefully the wider audience listening to these hearings today that we are moving towards a strong commitment in the U.S. Senate from our State on behalf of the rural areas and small communities of our State.

I wandered and roamed the State for almost two years in seeking to join Senator Nunn on your behalf as your junior United States Senator. I learned a lot about our smaller communities, our rural areas during that campaign. I learned alot about the problems, but I also learned an awful lot about possibilities.

But more than anything else, I think I can just sum it up in one word and then I will just submit my complete statement for the record, and that is the word character. I learned about the character of our people, the character of our smaller communities, the character of the land itself and what we can do, the immense possibilities in our State if we coordinate our private resources, our public resources, the determination that we are going to achieve some balanced growth and development throughout this State utilizing the incredible resources both of our people and God-given resources that we have in this very fertile land that we call non-metropolitan Georgia.

Sam and I are here to learn from you today, that is the purpose of this hearing, these meetings, to try to listen to the people that have to live under the law and live off the land so that we, when we are about our business in Washington, can do a little bit better job of developing consensus behind the policies that will be beneficial to the people of our State.

I am delighted to be with you, Senator Nunn and Congressman Richard Ray.

[The prepared statement of Senator Fowler follows:]

SEN. WYCHE FOWLER, JR.

Opening Statement

Fort Valley rural development hearings

Thank you all for being here today, demonstrating your interest, and contributing your time and expertise to our efforts to bring a better quality of life to the countryside.

I am pleased to be back in Fort Valley today, for the second time since the election. And I am pleased to be here with our distinguished senior senator, middle Georgia's own Sam Nunn.

The presence of both Georgia senators here today is, I think, proof that we are finally moving toward a united effort in the U.S. Senate on behalf of rural Georgians. It is a positive sign that our policies and positions will result from energy and outreach to the people of rural Georgia, and rural America.

And the presence of so many friends is a sign that we will work successfully toward a coordination of resources, both mental and material, between government and private enterprise. That we will meet the changing needs of our small towns and rural areas -- in the agricultural sector, of course, but also in other vital areas of rural life: education, health care, housing, transportation.

In my opening statement, before we hear from all the experts on their specific thoughts in these areas, I would like to stress the importance of our rural areas, and the real need to make sure that life outside the big city is an option that remains open to Georgians.

Because the choices ahead of us are clear: We can strengthen and preserve what we have inherited, or we can allow it to wither on the vine. We can make it possible for our young people to remain and raise their families on the land, or we can allow the exodus to continue, as they flee to the cities to seek a life for themselves.

I saw the importance of our countryside during my campaign for the Senate, and as I travelled the state since my election. It can be summed up in one word: character -- of the people, of the towns, of the land itself. We want to do more than keep people living a long way from Atlanta. We want to preserve what is valuable in their unique environments.

Based on what I have seen with my own eyes, heard from our people with my own ears, we are not doing that right now in Georgia. There are pockets of prosperity. But there are

also farmers with no farms. There are sick children with no doctors. There are small businessmen without small businesses. There are small towns with empty streets in front of the storefronts.

And the ripple effect spreads from the countryside to hit the larger towns and larger companies. In Moultrie, the Swift plant closed down, putting 350 Georgians out of work on one day's notice. We see large agribusiness concerns closing their doors in a city the size of Albany.

The prosperity we are experiencing in some areas of the state will not be sustainable as long as two-thirds of the counties in Georgia are left out of it altogether. The head can't thrive if the body is weak.

We all draw heavily on the resources of rural America -- as a source of our national strength, and our national identity. We began as an agrarian society. We learned our independence on the farmlands. It was farmers who expanded the bounds of this country, who had the courage to venture into the remote wilderness and settle it.

Our large towns and cities, such as Atlanta, sprang up as centers of commerce and transportation of the goods produced by a rural people.

Today, fewer than 30 percent of Americans live outside our cities, but their numerical proportion by no means reflects their importance to our economy. When related and dependent industry is included, agriculture is still the biggest business in Georgia. The ability to feed ourselves, in abundance, has contributed more to our national security in the course of history than all the armies we ever fielded.

As Georgians, as Southerners, and as Americans, we must work to develop policies that reflect understanding both of rural strengths and rural problems. It is not our loss alone, but our entire country's loss, if rural Georgia does not realize its full potential. Because restoring the long-term economic well-being of America's rural areas is vital to our country's future.

Today, as we examine the situation in Georgia, I hope that we will hit upon some innovations in business, agriculture and government that will aid in rural development throughout the nation -- that can be incorporated into a national policy that recognizes how much we all owe to so few.

Senator NUNN. Thank you, Wyche. And before you introduce our first panel this morning, let me express my deep appreciation to you for your leadership. It is an honor and a privilege for me to serve in the U.S. Senate with you.

I am particularly delighted that you are on the Senate Agriculture Committee, I think that is enormously important for our State, for our region. I also commend you, Wyche, for what you have already done in terms of touring the State of Georgia, getting familiar with the rural areas, you have done that both before and after your election and I can truthfully say that I would rather be with you, Wyche, and with Richard this morning here at Fort Valley State and with this distinguished audience and with this panel than I would in the Senate Caucus Room with Fawn Hall. [General laughter and applause.]

It does not have anything to do with looks either, I will tell you.

Senator FOWLER. I appreciate those kind words. I think I would rather be with Fawn Hall. [Laughter.]

Dr. Jess White, the director of the Southern Growth Policy Board, will give us an overview of what we are here to talk about today as well as any of his unique thoughts on the direction of our State and specifically the rural development of our State. Dr. White, we are extremely pleased to have you with us.

**STATEMENT OF DR. JESSE L. WHITE, Jr., EXECUTIVE DIRECTOR,
SOUTHERN GROWTH POLICIES BOARD, RESEARCH TRIANGLE
PARK, NC**

Dr. WHITE. Thank you very much, Senator. It is a pleasure to be here in Georgia again.

As most of you probably know, since I have been Executive Director of the Board for over 5 years, Georgia has supplied us with a very fine chairman in Governor Harris, in the Commission on the Future of the South, which we actually launched at our annual meeting in Atlanta a couple of years ago, we had three outstanding Georgians serving on that Commission, including former Governor Busbee. So the Southern Growth Policies Board has certainly been fortunate in the leadership that has been given us from this State.

We at the Board have been looking at the issue of economic development in the non-metropolitan south for a number of years. In November 1983, we published on "Alert" called "Prospects for Economic Growth in the Non-Metropolitan South."

The response we got from throughout the region was so deep and intense that we decided to pursue it. With a grant from the Ford Foundation, we did a fairly unusual thing at the Board, which was to undertake some original research. We looked at the employment patterns by SIC code in every county in the south from 1977 to 1982, and in turn the socio-economic characteristics of every county in the south and in terms of their proximity to interstate highways and other infrastructure.

That study produced what I consider to be a pioneering report called "After the Factories" on employment patterns in non-metropolitan south, which we published in November 1985. That document led to other reports such as MDC's "Shadows in the Sunbelt" produced by a firm in Chapel Hill, and then of course our own

Commission on the Future of the South, the report of which we issued last November.

As you know, we have a Commission on the Future of the South every 6 years at the Board. The first one was convened by Governor Carter in 1974 when the central concern of that Commission was not economic development, but growth management, because the south was in the heyday of its boom back then.

The second one was in 1980, when it was sort of a mixed report dealing with growth management problems and also some economic development problems.

The 1986 Commission Report under our Chairman Bill Clinton—and the Commission was chaired by former Governor Winter of Mississippi—was very much driven by what is happening in the non-metropolitan South. What we began to see was an industrial restructuring that was going on in the non-metro South as important and as profound as what was going on in the Pittsburghs, Chicagos and Detroit of the Nation, but different. The difference was it was not making the national news, because when a steel plant in Pittsburgh or an auto plant in Detroit closed, laying off say a thousand workers, it was the stuff of the CBS Evening News. When a shoe plant or a textile plant closed in a small southern town laying off 50 or 100, 150, it did not make the national news but the cumulative impact was just as great. The difference was that the industrial restructuring that was happening in rural and small town South. While in the metropolitan centers of the North.

I think in the last year we have made a lot of progress in bringing the issue of industrial restructuring of the non-metro south to the national agenda. I do think that there is considerable discussion now at the national level about this industrial restructuring and the impact it is having on the rural and small town South.

I will start off by making one assertion which might be somewhat controversial and provocative in what I have to say—think it will be adequately balanced by other witnesses throughout the day—and that is: The problems in the rural south and the farm crisis are not synonymous and it is a great mistake to equate the two.

And I think in terms of the national debate, we have got to differentiate between what is happening in the farming sector and the much broader issue of rural development. The problems in farming are a major part of the problem in the rural south, there is no question about that, but I would argue that the decline in non-durable manufacturing employment and the socio-economic deficiencies in our rural communities are much graver and longer range problems.

Education, health, infrastructure, capital availability, leadership, entrepreneurship are the strategic issues facing the rural and small town South people, and I think we need to be focusing on these broad issues. Therefore, I was particularly delighted that this hearing on rural development was held under the aegis of the Small Business Committee. I think that is exactly the right focus for addressing the issues of the rural and small town South.

I have prepared some overheads, which through no fault of your staff or the college here, I will not be able to show you, because I did not call to request a projector until Friday. I will submit the

charts for the record if I may.¹ Let me just cite one or two highlights from them to give you sort of a portrait of what Georgia looks like vis-a-vis the South.

In 1980, about 28 percent of the American people lived outside of metro areas. About 38 percent of southerners lived outside metro areas, and 42 percent of Georgians lived outside metro areas.

In 1980 again, the U.S. per capita income was roughly \$10,500; Georgians had about 100 percent of that in its metro areas at roughly \$10,050, but in the non-metro part of Georgia per capita income was about \$7,500, which was about 70 percent of U.S. per capita income.

If you look at the human capital side of the equation you also see graphically the problems of the non-metro South. If you look at the percentage of the population who are high school graduates in 1980, for example, about 67 percent of Americans were high school graduates; Georgia was close to that in its metropolitan areas with about 65 percent high school graduates but in the non-metro part of Georgia, it was only 45 percent or 20 percentage points lower.

If you look at the percentage of population that we define as adult functional illiterates—those with no more than an eighth grade education—you find a staggering difference. In 1980, only 16 percent of those Georgians living in the metropolitan parts of the state were functionally illiterate, whereas 32 percent were functionally illiterate in the non-metro South.

If you look at annual average unemployment rates for 1985, in metro Georgia it was 5.7 percent, in non-metro Georgia it was 8.2 percent.

If you look at the percentage of Georgians employed in agriculture for 1985, which somewhat reinforces the point I was making a moment ago, we find that only 2.2 percent of Georgians are actually employed in primary agriculture in 1985. But if you look at the percentage of the non-agricultural work force employed in manufacturing, you see again support for my earlier point. About 19 percent of Georgians in metropolitan areas are employed in manufacturing but in the non-metro part of Georgia, fully 47 percent are employed in the manufacturing sector.

So that sort of, in my opinion, gives you a picture of what we are talking about in terms of non-metro Georgia in relation to non-metro South.

I would like to call everyone's attention to the final report of the Commission which we issued last year, called "Halfway Home and a Long Way to Go." We deliberately modeled it after "A Nation at Risk". It is only 23 pages long. Probably the best thing we did was hire a novelist at the University of North Carolina to write it, so it does not read like any public policy document you have read before. And we think it could change the face of the South if we take it seriously.

If I could call your attention to page 7 of my statement, if you have it in front of you, you will see listed there 10 regional objectives that the Commission said that the South should work on by 1992. And I would just like to read those 10 regional objectives be-

¹ Material not available at time of going to press.

cause I think it forms the basis of a state agenda and also an agenda that the Federal Government needs to help the South realize.

We would like, by 1992, when the fourth Commission assembles, to see these goals met:

1. Provide a nationally competitive education for all Southern children.
2. Mobilize resources to eliminate adult functional illiteracy.
3. Prepare a flexible, globally competitive work force.
4. Strengthen society as a whole by strengthening at-risk families.
5. Increase the economic development role of higher education.
6. Increase the South's capacity to generate and use technology.
7. Implement new economic development strategies aimed at home-grown industry.
8. Enhance the South's natural and cultural resources.
9. Develop pragmatic leaders with a global vision.
10. Improve the structure and performance of State and local government.

The mandate Governor Clinton gave us was to come out with a report that would by 1992 do three things; raise per capita income, reduce poverty and reduce unemployment for southerners, a clear economic development objective. It is interesting to me that the Commission came out with about three major sets of findings in those ten recommendations.

Even though it is an economic development mandate, at least half of those recommendations deal directly with human resources and human capital issues. That is the key to competitiveness in the South, both the rural, small-town South and in our metro areas. Of course it is the key to competitiveness I think in the Nation, but it certainly is the key in the South where we have tended to underinvest in the development of our people for so long.

The other thing I think the report captures is that we have got to abandon what has been the region's industrial policy for the last 30 years. We have defined economic development as going outside our borders and recruiting branch plants of factories domiciled outside the region to come into the South and provide jobs for our people. In point of fact, we now have to start asking ourselves the question, what do we have to do to enable us to grow Fortune 500 companies in our own midst and then worry about people coming to take our branch plants. That would maybe be a happy dilemma to face on down the road.

So we need a new, totally new definition of economic development, which basically coaxes us away from industrial recruitment to indigenous business formation, expansion and success.

And of course, the most important objective there is probably the most difficult one, and that is the development of pragmatic leadership at the local level, because leadership is the key to economic development at the Federal, State and local level.

And so therefore, I especially commend you, Senator Nunn and Senator Fowler, for calling this hearing because it seems to me that in addition to the policy focus, which is so critical, part of what we are engaged in today is leadership awareness and leader-

ship development and hopefully these hearings will have an important impact on both policy and the critical issue of leadership.

Thank you.

[The prepared statement of Dr. White follows:]

STATEMENT TO THE
COMMITTEE ON SMALL BUSINESS
OF THE UNITED STATES SENATE

by

Jesse L. White, Jr.
Executive Director
Southern Growth Policies Board
Research Triangle Park, North Carolina

Ft. Valley State College
Ft. Valley, Georgia

July 20, 1987

Thank you for this opportunity to testify before your committee on the problems of rural development in the South. We have been looking at this issue for a number of years at the Southern Growth Policies Board; and, therefore, I will be setting the context for your hearing today by discussing the situation throughout the South, and not just Georgia.

In November 1983, we published an "Alert" on the topic, "Prospects for Economic Growth in the Non-Metropolitan South." This brief paper produced such overwhelming and positive response that we decided to pursue the issue. With a grant from the Ford Foundation, the Board took the unusual step of engaging in some original research, resulting in the pioneering publication in December 1985 of "After the Factories: Changing Employment Patterns in the Rural South."

In "After the Factories," we looked at employment in every Southern county by SIC code between 1977 and 1982, in addition to infrastructure and socio-economic characteristics. In essence, the study documented for the first time the comparative industrial decline of the rural and small town South, as compared to the booming economies in our metropolitan areas. The Board's report led to the subsequent, widely publicized report by MDC, Inc., of Chapel Hill, entitled "Shadows in the Sunbelt."

All of this work and public debate set the stage for the 1986 Commission on the Future of the South, the report of which I will discuss with you today.

But, before beginning my comments on the report, I would like to make one point very strongly about rural development today: the farm situation and rural development are not synonymous and it is a mistake to think they are. Even though farming is a major part of the problem in the rural areas of the South, the decline in non-durable manufacturing employment and socio-economic deficiencies in rural communities are a much graver and longer-range problem. Education, health, infrastructure, capital availability, and leadership are the strategic issues facing rural and small-town areas and people; and, until these issues are differentiated from consideration of the farm problem, little progress can be made.

The complexities of development, both metro and non-metro, are well presented in the report of the 1986 Commission on the Future of the South, entitled "Halfway Home and a Long Way to Go." I would like to begin my comments with a quote from that report:

During the 1970's, the fabled "New South" seemed to become at long last really new, not just an Old South painted over.

After 100 years as a prodigal region, this New South appeared to be coming home to the national family. There were glowing economic reports from the country's Sun Belt; blacks and whites were experiencing brotherhood there; and a Southern state had supplied a homegrown President of the United States.

But not it is 1986, and the prodigal South is still on the road. Despite a century of hard traveling since New South prophet Henry Grady, then editor of the Atlanta Constitution, pointed the way, today's South has come to another crossroads...still, as Governor Bill Clinton of Arkansas says, "halfway home and a long way to go."

Why are we taking so long to become fully at home in the modern global village? What has delayed the New South's transformation into the Promised Land it always seemed?

With those words, the 1986 Commission on the Future of the South opens its report to the people of our region. The Commission, assembled every six years by the Southern Growth Policies Board, chose the words carefully, for behind them lay a century of history as fascinating and frustrating, as complex and familiar, and as hopeful and despairing as any history of a people could be.

How did we get to that situation so graphically depicted in those opening lines? Basically, the South underwent a profound transformation from 1930 to the mid-1970s. In 1930, our region had a per capita income roughly ~~half~~ that of the U.S., an agricultural-based economy, a society undergirded by a rigid racial caste system and adverse to change, a highly provincial and domestic view of the region's economy, and a conservative philosophy which discouraged state investments in education and social programs.

Several developments over the next 40 years turned the region around. First, the region developed a type of "industrial policy" -- which was to recruit branch plants of labor-intensive, low-wage manufacturing companies domiciled outside the region with the promise of cheap and unorganized labor, abundant natural resources, an adequate infrastructure, and public subsidies in the form of IDBs and tax abatements.

Second, millions of displaced agricultural workers simply left the region, headed mostly to the cities of the North. Third, a new era of federal policy, brought in by the New Deal, taxed and redistributed national wealth, often on the basis of need, which

greatly benefitted the impoverished South. And, finally, the racial caste system was dismantled in the 1960s and 70s with the ending of all de jure and most de facto segregation.

These developments industrialized the rural and small-town South, exported much of our poverty to the North, halted and even reversed the outmigration pattern, and dramatically increased per capita income to 86% of U.S. per capita income in 1975, a far cry from the 1920 level of 50%.

And, all of a sudden, the Sun Belt was created in the national media and mind. We had come all the way from being, in FDR's words, "the nation's number one economic problem" of the 1930s to the economic promised land of the 1970s. It is instructive to read the first Commission report in 1974, written in those heady days of the early 1970s -- the central theme was not economic development, but growth management.

Ironically -- and as is often the case -- almost as soon as the South acquired the reputation, believed by Southerners also, of being the land of milk and honey, the reality was already beginning to change.

Because the Southern economy had become fully integrated into the national economy, we began to feel the effects of national business cycles, including unemployment figures at or above the national average; also, the fifteen-year decline in poverty ended, and the number of impoverished Southerners began to grow.

Another development, documented for the first time by the Southern Growth Policies Board, showed an alarming decline of the non-metro South in which over 35% of our people reside (compared to 25% nationally). While our metro economics boomed, a double whammy of declining farm income and vanishing non-durable manufacturing jobs threatened the viability of many rural and small-town areas.

Plus, the innocence of living, working, and thinking in a provincial American economy vanished overnight, as the nation's dependence on international trade quadrupled from a four-decade-old figure of 4% of GNP from 1929 to 1969 to about 17% in 1985. Crashing over the South like a tidal wave, the implications of a suddenly globalized economy were becoming painfully apparent in the mid-1980s.

And, finally, all of these trends put a sudden halt to the growth in relative per capita income. The curve stayed flat from 1975 to 1980, at roughly 86% of U.S. per capita income, and had edged up only

slightly to 88% by the mid-eighties. Eight states actually slipped between 1975 and 1980, and five had not regained their 1975 standing by 1985.

During the decade from 1975 to 1985, the second Commission report was issued in 1980. It was clearly a transition document, dealing with the growth management problems of Southern cities, on the one hand, and the implications of the energy crisis and alarming statistics on Southern children on the other. Prospects were still generally sunny, but storm clouds were gathering.

By 1986 it had become clear that the once solid South was not at all solid anymore, that the region's economy had become highly complex, and that some segments and sections were prospering while others were declining. It was impossible to ignore any longer that within our region there were two Souths growing further and further apart -- one was largely metropolitan, mostly white, middle class, and prospering. But, there was also, in the words of Commission Chairman William Winter, "that other South, largely rural, undereducated, underproductive, and underpaid, that threatens to become a permanent shadow of distress."

To fulfill the mandate given to the Board of stating a set of regional objectives every six years, Governor Bill Clinton of Arkansas, Chairman of SGPB, followed the precedents of Governor Jimmy Carter in 1974 and Governor Dick Riley in 1980 by appointing a blue-ribbon panel termed the Commission on the Future of the South. He selected former Governor William Winter of Mississippi as Chairman, and appointed 19 other outstanding Southerners, including two other former governors and a former U.S. Senator, two college presidents, four CEOs of Southern corporations, a major newspaper publisher, two state legislators, two distinguished professors, two leaders of non-profit organizations, a former lieutenant governor and big city mayor, the head of a state development board, and the director of research at a federal reserve bank.

It would take a group that distinguished to live up to Governor Clinton's charge to the Commission: "to produce a short, readable report to the people of the South which can be used by-governors, legislators, and other leaders to mobilize support for those public policies and public-private partnership which will increase the per capita income, reduce poverty, and reduce unemployment for Southerners by 1992." So, in order to prevent that "permanent shadow of distress," in the words of Governor Winter, and to "achieve excellence with equity," in the words of Governor Clinton, the Commission was

given this sweeping economic development mandate. The central concern was obviously those Southern people and communities left behind in the new economy of the 1980s.

Let me say a word about the process, because it was quite unique and, I think, successful. For starters, Governor Clinton decided that, unlike the 1974 and 1980 Commissions, there would be no task forces or technical advisory committees. The Commission was charged with conducting its own inquiries, supported by SGPB staff and consultants. As a result, the Commission organized itself into three working committees to deal with what it saw as the most strategic development issues facing the South: human resource development, technology and innovation, and government structure and fiscal capacity. On recommendation of staff, five cross-cutting issues were also considered in all deliberations: equity, urban-rural differences, internationalization issues, infrastructure financing, and quality of life concerns. Consultants were hired to advise the Commission on these issues and to prepare reports. Thus, a relatively sophisticated matrix of inquiry was adopted by the Commission.

The three committees held seven public hearings and took testimony from 77 expert witnesses. They received written testimony and input from many others. At the second full Commission meeting, the consultants made presentations on the cross-cutting themes. All of this inquiry produced an unprecedented treasure trove of information on the South and Southerners.

Keep in mind, however, that this complex matrix of inquiry was still supposed to yield at the end of the process a short, readable, hard-hitting report akin to *A Nation at Risk*. To do this, the Commission, consultants, and staff met in September at Graylyn Conference Center in Winston-Salem, N.C., each armed with a large notebook including the three committee reports and five cross-cutting issue reports. Led by Chairman Winter and Governor Clinton through an intense and exhausting two days of round table discussions, the Commission distilled this mass of information into 10 strategic objectives and the outline for a report.

The final step was unprecedented -- hiring a novelist, Doris Betts of the University of North Carolina, to actually write the final report. Working closely with staff and with two rounds of Commission edits, Ms. Betts wrote *Halfway Home and a Long Way to Go*, widely acclaimed as one of the most moving and compelling public policy documents yet written. It is also only 23 pages long and can be read in less than an hour.

The report really tells us three things: (1) the nature of the current globally competitive environment; (2) where the South stands

in relationship to the various elements of that competitive environment; and (3) what we have to do to increase our competitiveness and, therefore, our chances of not only surviving but thriving. And, as with everything in our region, it relates very much to our past.

Let me, first, list the 10 regional objectives, and then discuss them in relationship to this new business environment. The 10 regional objectives, formulated by the Commission and adopted by the Southern Growth Policies Board as official policy, are as follows:

1. Provide a nationally competitive education for all Southern children
2. Mobilize resources to eliminate adult functional illiteracy
3. Prepare a flexible, globally competitive work force
4. Strengthen society as a whole by strengthening at-risk families
5. Increase the economic development role of higher education
6. Increase the South's capacity to generate and use technology
7. Implement new economic development strategies aimed at home-grown industry
8. Enhance the South's natural and cultural resources
9. Develop pragmatic leaders with a global vision
10. Improve the structure and performance of state and local government

For purposes of brief discussion, I shall group these objectives into three categories: the first deals with human resource issues, the second with the role of post-secondary education, and the third with the role of state and local government.

The first four recommendations -- providing better education, eliminating adult functional illiteracy, training and retraining the work force, and strengthening at-risk families -- all deal with the gravest problem facing the South, and that is the condition of the present and future labor force, particularly those in the bottom third of the social and economic system. On all measures of educational and social performance, Southern children and adults are at the bottom, a reflection of that historic reluctance to invest in education and social programs mentioned earlier in the sketch of the region's past. A second reason is that our predominant economic systems have been based on low-skill, low-wage workers: the sharecropper system of

agriculture and labor-intensive, non-durable manufacturing. As the Commission report says, "decades after old economic systems have vanished, their high human costs remain."

Suddenly, or so it seemed, the earth shifted beneath us and everything that used to be functional became highly dysfunctional, assets became liabilities, and long-held beliefs became disbelief. Low levels of public investments had produced a labor force well suited for row-crop agriculture and low-skill manufacturing but ill-equipped for an economy based on services, information, automation, and large-scale corporate farming. Again quoting the Commission report, "In the South's long, even commendable, journey of progress, too many are left behind with education and skills which better prepare them to function in Henry Grady's Atlanta of 1886 than Andrew Young's of 1986." And, in the words of the Human Resource Development Committee, "these deficiencies in the labor force will be major choke points in the South's effort to adapt to technological change."

The four recommendations dealing with human resource development are aimed at producing an educated, skilled, flexible work force -- in the words of economist Pat Choate of TRW, a "high flex society." They involve sustaining for at least a decade the current momentum of education reform and funding, getting serious about reaching the millions of adult functional illiterates, revamping vocational education to meet contemporary needs, and spending wisely on those social programs which will move the millions of at-risk families from a status of fear and dependence to one of independence, strength, and contribution to the economy and society.

The second set of objectives deal with some new thinking about the role of higher education. One is to strengthen the economic development role of higher education and, second, to increase the South's capacity to generate and use technology. These objectives also arise out of the new competitive environment and business climate. Examining the phenomena of Silicon Valley, Route 128, and to some extent the RTP tells much about the new relationship of higher education to economic growth. The combination of excellent research universities placed in metropolitan complexes seems to be an engine of development...a far cry from the 19th century model of rustic, ivory-tower education for society's elite. In fact, that 19th century model resulted in the placement of many of our research universities throughout the region in isolated, small towns...far from the metropolitan amenities that complete the development equation.

There was a strong feeling on the Commission that the South was spending plenty of money on higher education in the aggregate, but we simply aren't getting our money's worth. The trend during the 1960s and 1970s to elevate all institutions to university status and, in some states, create degree-granting branches produced expensive higher education complexes filled up with second-and third-rate institutions and very few centers of true excellence. The Commission calls on

states to rationalize their systems of higher education, to give institutions clear mission statements, to insist on higher quality, and to establish clear measures of accountability.

Closely tied in with these objectives is the one dealing with technology, a relatively new area of concern for state policy. The South lags on almost every measure of technology -- degrees granted per capita in science and engineering, per capita patents, and per capita spending on R&D. The Commission felt that we are living in era of technological renaissance, and the decisions we make or do not make now will determine whether we get our share of the global action or simply get bypassed again. The Commission calls on states to create regional centers of excellence in connection with world-class graduate programs, to upgrade graduate programs in science and technology, and to work through the Southern Technology Council to find regional approaches to getting technology from the laboratory to the market.

The last four objectives deal more directly with state economic development policies: implement new economic development strategies aimed at home-grown business and industry, enhance the South's natural and cultural resources, develop pragmatic leaders with a global vision, and improve the structure and performance of state and local government.

The new economic development strategies, in essence, would call for an end to the South's old industrial policy of recruitment, and would concentrate state resources on creating an environment and set of supports which will enable home-grown businesses to begin and succeed. They call for more assistance to entrepreneurs, stronger business-university partnerships, and more sophisticated recruitment.

The objective dealing with natural and cultural resources meets head-on the old perceived tension between growth and environment. It is an important statement because it basically asserts that environment and cultural protection and economic growth now support each other in this changed business environment. The emerging industries -- business and consumer services, information based business, and tourism -- all now require clean, enjoyable environments, livable cities, and cultural amenities. A clean environment also tops the list of criteria now for many industrial locators.

Probably no objective is more important and more difficult to implement than the one dealing with the development of pragmatic leaders with a global vision. As you know, development really does or does not occur at the local level, and leadership is the key ingredient. You can go right down the list of distressed small towns

and look at the ones which make it and the ones which don't, and the difference is often in whether there exists a small group of pragmatic, energetic leaders with vision. The Commission calls on states to provide seed funding for leadership development programs based in schools and communities.

The final objective in the report also breaks new ground in asserting a relationship between the structure of state and local government and the ability to implement sophisticated economic development policies. There have been reports on government reorganization for decades, but *Halfway Home* is the first report to link government structure and economic growth. It basically argues that the 19th century model of highly fragmented and weak executive branches and amateur legislative branches cannot formulate and implement long-term, sophisticated programs. The Commission calls for cabinet-level strategic planning processes, consolidating the executive branch and enhancing the governor's authority, professionalizing legislatures, sorting out government roles, and consolidating local governments.

These objectives will not be inexpensive to implement. The report asks, "Can we afford to make high-priced changes when budgets are tight? Can we afford not to?" In reality, we are talking about a generation of us fortunate, educated, working Southerners paying more than our fair share as we pay the double costs of past mistakes and future investments. This sacrifice on our part will be necessary if we are to ensure a decent future in the South for our children and grandchildren, and, indeed, even for ourselves.

But, a more difficult cost may have nothing to do with money, but with our historic reluctance to change. I would like to close with some selected quotes from *Halfway Home* and a *Long Way to Go*:

The familiar song says that old times in Dixie are "not forgotten." William Faulkner adds that in the South the past is not only forgotten -- it's not even past! History is to a people what memory is to an individual, and too often the Old South preferred the past, resting by the roadside swapping tales of yesterday, postponing changes until the weather cooled, the crops were in, or the moon was in the right phase.

We dare not retrace that long, weary road. To honor the past is one thing. To prefer it will cost us the future. We are already carrying into that future as heavy a load of past mistakes as past glory. If part of the burden of history is a poor underclass now threatening to become permanently mired in poverty, if one of the South's surprises is how a wall of isolation, like Jericho's, has tumbled almost overnight, we must now decide which parts of our past need to be preserved and which need to be discarded.

The Commission praises, for example, the restoration of historic buildings and main streets; it applauds efforts to keep the South green and natural. It finds that our reverence for strong personal relationships and family values are an enduring strength. We must save the best of what we inherited and bequeath it to the next generation.

But there are old mistakes and problems we need not pass along. Other self-proclaimed "New Souths" have dragged behind them like long, old chains the inevitable outcomes of the plantation system, secession and reconstruction, sharecropping, low-wage factories, and segregation. Decades after old economic systems have vanished, their high human cost remains.

As Robert Penn Warren has said, examination of the past should be done in order "to find what is valuable to us, the line of continuity to us and through us." Whatever the South failed at yesterday can be turned to success tomorrow; what it lost can be restored; what it dreamed can be made real...but change will prove tough and expensive.

Two centuries ago, when Benjamin Franklin looked up from signing the Declaration of Independence which was to transform a colony into a nation, he remarked, "We must all hang together, else we shall all hang separately."

As the Commission listened to concerned Southerners from every state, it became clear that the 1776 spirit of independence is still alive and well in our rugged individualism. But, something else has become clear - a growing awareness that in today's world the good life of one individual is inextricably linked to the good life of the next. The South is part of a complex nation and a shrinking world.

The choice is one of action or inaction, of moving forward from this crossroads on our continuing journey home or of freezing in our tracks with little prospect or completing the journey.

If we fail to address the ten objectives in this report, we - unlike the signers of that original Declaration - will not literally "hang." We will, instead, simply stand still while a bustling world economy moves into the next century and leaves us behind. All the South's overlapping, interwoven problems would still be with us; all the population's interdependent needs will still confront the region's leaders. We will continue to share a heritage, but our common future will be much darker than a Sunbelt ought to be.

By forging this new Declaration of Interdependence, however, we can renew our journey home. By taking action on these region-

al objectives, we can honor the past while moving into the future and building for ourselves and our children a resilient, competitive, and humane society which will, by 1992, bring us a lot closer to home.

November, 1983



analysis of emerging issues:

PROSPECTS FOR ECONOMIC GROWTH IN THE NONMETROPOLITAN SOUTH

The southern economy and opportunities for employment are changing. Forecasts indicate that the South will depend less on the production of goods and more on the provision of services for both jobs and income. Further, within the goods-producing sector, new jobs are more likely to be in industries related to new types of technology than in traditional manufacturing industries. The ways that business and states respond to the technological and international forces that are producing these shifts ultimately will determine how many jobs will be generated and lost as well as which occupations will expand and contract. An equally important issue is where the jobs will be located. Not just in which regions and which states, but in which communities will the new jobs be located? A net positive employment growth rate for the region or state does not necessarily mean balanced growth and thus does not promise prosperity for all parts of the region or state.

One of the most critical variables in the economic shifts forecast for the communities in the southern region is the degree of urbanization. Current industry forecasts for the remainder of this century suggest that the nonmetropolitan South will face a formidable challenge, one reminiscent of the transformation from an agricultural economy to an industrial economy that took place in the first half of this century. Then, employment opportunities on the farm rapidly disappeared, and with them the economic support for many of the people who depended on agriculture. Large numbers of these people were poor and undereducated--particularly rural Blacks. As late as 1960, more than one-third of all southern rural Blacks in the region had less than five years of school.

The decline of agriculture created a pool of readily available, cheap labor, which, along with low rural taxes, attracted low-skill manufacturing industries, which gradually took up the slack in employment. Missing at the time was the infrastructure to support these industries, and to provide it the federal and state governments stepped in. Aided by the Appalachian Regional Commission (ARC), the Economic Development Administration (EDA), and the Tennessee Valley Authority (TVA), the rural parts of the South began to modernize. New roads, vocational-technical centers, water supplies and waste disposal systems, and industrial parks accelerated rural industrialization. In the post-World War II era, much of the rural South built its hopes for the future on labor-intensive manufacturing, and today those industries provide a large share of the region's jobs. In North Carolina, for example, with 52 percent of its people living in rural areas, nearly one-third of its nonagricultural work force currently is employed in manufacturing.

This paper was prepared by Stuart A. Rosenfeld, Director of Research and Programs.

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Today, however, it is clear that the employment patterns in the rural South during the last 25 years, led by increases in manufacturing, are being altered. In North Carolina, for example, in the 1960s and the early 1970s, nonmetro and metro areas exhibited similar patterns of changes in employment. Since 1978, however, the change rates have diverged sharply. All new jobs in North Carolina between 1978 and 1981 were registered in metro counties. Although other SGPB states have not been analyzed yet to see if similar patterns exist regionwide, the basic underlying conditions certainly do, and thus the entire region could be affected. New forms of growth may require conditions which many nonmetropolitan counties will be unable to meet.

To understand the challenge the nonmetro South faces, one must disaggregate projected employment data and look at the nature of the industries that are expected to grow and to decline. The poorest performance is expected in standardized manufacturing. For example, projections for the region indicate a 14 percent reduction in nondurable manufacturing employment by the year 2000. Although the plant closings and layoffs in the heavy manufacturing industries, generally associated with cities, attract the most public attention, labor-intensive manufacturing businesses in nonmetropolitan areas are in similar trouble. In 1982 alone, 27 textile plants closed in North Carolina and another 13 closed in Georgia. Moreover, many of these industries do not require specially trained, highly skilled labor, are not dependent on local resources, and, as branch plants, have little local commitment. There is little beyond their capital investment to keep them where they are if they can reduce operating costs elsewhere.

A "good" business climate, frequently defined as low taxes, cheap land, low wages and construction costs, lack of unions, cooperative local officials, and an available labor pool, were the competitive characteristics of the nonmetro South that attracted labor-intensive industry initially. High educational attainment levels, high literacy rates or quality schools were not particularly important considerations in these site decisions. In fact, low taxes, which often led to low investment in schools, has been perceived as a key attraction. The new jobs, while low wage, did provide employment opportunities for displaced farmers, additional work for farmers off-season, and work for second wage-earners in families. Consequently they contributed to the rise in family incomes in the region both in real terms and relative to the national average. Ironically, the nonmetro South is now losing jobs for the same reasons it formerly attracted them--lower labor costs and lower taxes in other, mostly Third World, countries. Foreign competition is already taking its toll of rural jobs as labor-intensive businesses move off-shore. Competition, coupled with the growing consolidation and automation of manufacturing, is likely to lead to the further decline of standardized manufacturing as a source of rural employment.

The largest source of new jobs in the eighties and nineties is expected to be from businesses related to technological advancements and from the service sector. To what extent will nonmetropolitan counties share in this growth?

Technology-related industries demand a different type of infrastructure than labor-intensive manufacturing, one that provides ready access to information and expertise--e.g., R & D centers, academic institutions, and

airports. Moreover, they want local conditions that will attract highly educated professional and technical staff--good schools and a high priority placed on education, cultural amenities, shopping, recreational opportunities, and scenic beauty. Most nonmetro areas, due to diseconomies of scale, do not have the requisite educational system and infrastructure. Therefore, high-tech industries are unlikely to contribute as much to nonmetropolitan economic growth as to metropolitan economic growth.

New opportunities in manufacturing are more apt to come from small, specialty manufacturing and "crafts" or from those standardized operations that produce high-volume parts for high-tech industries, such as electronics assembly. Neither requires the extensive support structure that research-related businesses do. Electronics assembly businesses, however, are subject to the same fierce foreign competition that the more traditional industries are. Atari's move overseas soon after initiating production in the U.S. is a prime example. It will take innovative approaches to management and production to make these businesses more productive and thus competitive enough to remain major sources of rural economic development.

The service sector is predicted to be the major source of job growth in the SGPB region, providing seven million of the nine million additional jobs expected by the year 2000. However, the Federal Reserve Bank of Atlanta reported that service occupations in its region, with the exception of government, are disproportionately located in SMSAs. Service businesses tend to cluster near population centers. Generally less exportable than manufactured goods, services need to be nearer potential markets (though technology may reduce that need over time). New service industries in Georgia, for example, "are benefiting metropolitan areas around the state, but they are becoming increasingly concentrated in Atlanta."

Advances in the information sector offer some hope for new jobs in rural areas. Decentralization made possible by minicomputers, word processors, cable, and satellites make small and support businesses, such as software development or editing, possible even at a distance from the clients. However, these businesses are more likely to settle in "choice" locations with tourist attraction and good schools than in poor areas where much of the manufacturing and agricultural job displacement is occurring.

Finally, agriculture will be unable to take up the slack left by the loss of manufacturing. Federal support programs have fallen victim to the budget cuts. The PIK program, which replaced direct support, provides income for the farmers, but it is of little help to the agriculture-related businesses that support agriculture. Farmers who are not farming do not need seed, fertilizers, and farm machinery. Even more important is the extent to which farming is dependent on off-the-farm employment. In 1981, about two-thirds of all income of farm families was generated by off-farm employment. Among small farmers, the dependence on nonfarm income was even greater. Farms with sales of under \$40,000 were, in effect, subsidized by nonagricultural income, providing small-scale farmers with an adequate standard of living. The loss of additional jobs, many of which are in manufacturing, could hasten the decline of the family farm, which would not only alter the character of many rural communities but also would reduce agricultural production significantly.

Thus, rural communities, which have been primed for 1960s-style growth, with waste disposal systems, roads, industrial parks, and vocational-technical centers, now find themselves facing a new 1980s-style growth. Just as they began to catch up, the ground rules have changed. A skilled workforce, strong schools, and extensive communications links have been added to the list of factors needed to sustain growth. Rural areas fortunate enough to be vacation spots will probably continue to flourish from tourism and service businesses. How well the vast majority of rural communities adapt to emerging economic trends will determine their prospects for prosperity in the future.

Policies to Promote Economic Growth in Nonmetro Areas

Despite this pessimistic scenario, there are some options that states and nonmetro counties can consider to improve the prospects of rural communities and influence their futures. First, development of their human resources is central to the health of the rural economy. Education will not create jobs, of course, but it will help nonmetropolitan areas claim their share of the nine million new jobs projected for the SGPB region over the next two decades. Second, and perhaps the most costly due to isolation and diseconomies of scale, is the need for an appropriate infrastructure. Third is obtaining access to the risk capital needed to convert new ideas--particularly those related to indigenous resources and local skills and crafts--into business opportunities, and to reinforce the existing innovativeness and risk taking that are endemic to agricultural life. And fourth is obtaining the technical assistance--possibly in quantity and quality similar to the cooperative extension services provided to agriculture--needed to exploit new opportunities.

A) Education, in the long run, may hold the key to rural economic growth. Many rural schools, however, have a tough row to hoe. Perhaps the biggest challenge they face is compensating for past problems--increasing adult literacy levels and providing displaced adult workers with the prerequisites for retraining. The jobs in high-tech growth industries, as well as in the high-demand service occupations, require higher levels of literacy than does factory work. There are a number of good rural models for adult basic education that do not require a large investment (see Foresight, Vol. 3, 1983), but most do depend on support and technical assistance from the states and the federal government.

A second challenge rural communities face is how to restructure vocational education to provide the kinds of skills and knowledge that will stimulate local economic activity. If, as forecasts suggest, rural areas become more dependent on small and local businesses, there may not be enough demand to justify a particular program. Moreover, the skills and knowledge needed may be different from the traditional kind of training. Vocational education that provides generic vocational skills, knowledge, and behavior appropriate for independence, responsibility, and entrepreneurship, combined with apprenticeship or on-the-job training, may be more appropriate and cost-efficient than the narrow skills training taught in the area vocational centers (See Foresight, Vol. 1, 1983). State policies that define and evaluate secondary vocational education programs in narrow occupational terms need to be reassessed in terms of the prospective job opportunities in nonmetro counties.

Third, state assistance will be needed to help improve the quality of education in nonmetropolitan areas. Although in the past decade many states have reformed finance policies, in an effort to equalize educational resources across districts, the recent emphasis on technology in the schools and on private sector support may tend to magnify existing gaps in resources among districts. Surveys show that in nonmetropolitan schools the proportion of 17 year olds with access to computers is only about a third as high as the proportion of 17 year olds in city or suburban schools. Nonmetropolitan schools also are less likely to be recipients of private sector support. Only the state is in a position to ensure continued progress toward equity; thus state education agencies may be faced with reallocating the new resources associated with technology and public-private partnerships.

B) Federal programs such as the Appalachian Regional Development Act have contributed much to the improvement of the infrastructure of nonmetropolitan counties, and recently rural areas were able to compete with urban industrial centers for the same kinds of jobs. Local services and facilities that support traditional manufacturing, however, are different from those that support industries based upon new technology, services, and financial institutions. Differences between urban and rural economies, coupled with the growing desirability of small town living, point to state policies to support an infrastructure that embellishes the rural nature of the area and supports the kind of economic development most likely to be successful, e.g., small service businesses, specialty manufacturing and crafts, agribusiness, and tourism. This means continued attention to the energy, waste disposal, and communications systems and other improvements in local services for the many rural communities that are still underdeveloped. It also might entail support for local environmental policies that protect rural characteristics that enhance communities' abilities to attract people and jobs, such as limiting strip development or revitalizing Main Streets rather than building new shopping malls.

C) If rural economic growth will depend to a large extent on the creation and expansion of new and small businesses, it will require risk capital. Taking chances is something to which rural people are accustomed and is a real rural resource; farming has always been a risky business, as this year's drought in the Southeast demonstrated. A recent article in the National Association of Towns and Townships newspaper observed that, "Small towns, with their heavy emphasis on agriculture, might have a higher incidence of risk-takers than larger places."

There are ways that states can help. First is to make sure that venture capital is available. Although there seems to be no shortfall in the aggregate amount available, small businesses and rural entrepreneurs often have trouble securing loans. Possible state strategies include set asides or special programs for venture capital that are targeted to rural development.

Second, states can directly assist innovators by helping them test their ideas and, if promising, turn them into businesses. One state-supported program in southwestern Oklahoma is a rural new business incubator in the voc-tech centers that provides legal and technical assistance, training, and links to funding for anyone with a new business idea. Another, is the New

Technology Jobs Bill, enacted in North Carolina, which provides grants to communities to create new business incubator facilities. Grants are made based on (1) local employment rates, (2) extent of community-wide interest, and (3) the need for diversification and development.

Third, states can enact laws to assist employees in purchasing plants or businesses that might otherwise be closed. (Illinois, for example, has enacted the Illinois Employee Ownership Assistance Act to provide technical assistance and funding with industrial revenue bonds.) There are a number of reasons that plants targeted for closing by a corporate office can be operated locally at a profit. One is that some plants are closed not because of losses but because the rate of return is less than some alternative investment might yield. Another is that the losses are due to high corporate overhead that could be reduced if the business is uncoupled from the headquarters. And third is simply the growing evidence that businesses owned and managed by employees often have higher productivity. In instances where businesses can be made profitable, local people, working together, could buy the business, retaining jobs and income locally. Here, too, education can enhance the chances for successful self-management. For example, this year Guilford College in North Carolina began a new program designed to prepare students for ownership and self-management. Taking that kind of education to areas threatened by plant closings could encourage local people to consider retaining the business themselves.

D) Last, nonmetropolitan communities need technical assistance. The federal budget cuts--particularly those in EDA and ARC -- have reduced technical assistance to rural areas. States, for example, could utilize the successful approach of the cooperative extension service, employing field agents or "circuit riders" to work with local businesses and provide business extension courses and consultations and advice for prospective entrepreneurs or small business managers. Whereas metropolitan areas have a large enough clientele to justify its own "experts," nonmetropolitan areas are too small and can benefit from state assistance and from cooperative ventures with other communities or counties.

Help is particularly needed to take advantage of export markets. Technical assistance in setting up or using existing export trading companies (ETCs) and marketing cooperatives can help small local businesses develop new markets and finance expansion. North Dakota, for example, is organizing a state-wide ETC through its State Industrial Commission and including the Department of Agriculture, with a special focus on small, rural businesses.

A European Model for Rural Development

To ensure that states' resources are used efficiently, it is important that all of the policies directed toward the common goal of rural development be coordinated. England has an interesting model that combines all of the policies suggested to promote economic growth in rural areas--training, infrastructure, risk capital, and technical assistance. It is the Council for Small Industries in Rural Areas (CoSIRA), which offers technical and business management assistance to small firms, provides training and training

facilities, operates a loan fund, and provides grants to improve local services such as housing, transportation, welfare, and leisure activities. The training includes a New Entrants Training Scheme (NETS), which is an apprenticeship program to provide a new generation of crafters in traditional rural skills. The Council also operates short technical and business management courses. A factory program is similar to the incubator program in Oklahoma, but facilities actually are built in depressed areas to accommodate new or expanding businesses.

The British model has been in operation long enough to evaluate its effects, and they have been impressive in terms of cost-effectiveness. Costs per new job from the factory program average about \$2500, and costs of the NETS program are about \$4500. While we do not recommend adopting a program such as this in its entirety, much can be learned from successful programs in other industrial countries.

* * * * *

Because it is difficult to find information disaggregated by size of community, some of the analysis of the issues presented was inferred from anecdotal evidence, data in a few states, and national trends. The SGPB would like to learn more about employment patterns within the SGPB states and about particular problems related to rural development, as well as about state and local programs that address rural needs. Any information you can provide us would be helpful for continuing efforts to monitor nonmetropolitan economic trends and for informing the rest of the region about innovative and effective programs.

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Senator NUNN. Thank you very much, Dr. White. I am grateful to you for your leadership and the leadership of your Board. I have read your publication and I commend it to the whole audience here. I think it is excellent and it does set forth a lot of provocative and challenging ideas.

Let me ask you in the audience, can you hear out there all right? Is everybody hearing? I think that the key here is talking directly into the microphone, which I am informed I have not been doing, so all the panelists may want to try to do that also.

Our next presenter—we will wait until we get through with the whole panel before we get into a discussion, but our next presenter this morning is a great friend of mine, I have known him all his life and I must say most of mine, Larry Walker from the neighboring city of Perry. Larry is an outstanding member of the Legislature, he is the second man in the Georgia House of Representatives, an outstanding lawyer and a fellow who grew up in a farming and agribusiness environment and knows the rural problems of our State I think as well as anyone in Georgia. Larry Walker.

**STATEMENT OF STATE REPRESENTATIVE LARRY WALKER,
FROM THE STATE OF GEORGIA**

Representative WALKER. Thank you, Senator Nunn, Senator Fowler, Congressman Ray, it is a pleasure to be with you today.

I hope that Senator Nunn will soon make up his mind whether or not he is going to run for President. I am spending all of my time with the *Los Angeles Times*, the *New York Times*, *Tampa Tribune*, *Perry Times* with interviews about Sam Nunn as a boy, and they all want to know: "Do you know anything bad about him?" I never can tell them anything bad about him, so they always go away disappointed. So I hope you will soon make up your mind what you are going to do. [Laughter.]

Senator NUNN. I appreciate you keeping quiet, Larry.

Representative WALKER. I had the privilege in 1984 to participate in the Georgia 2000 Project. The Georgia 2000 Project is the brainchild of the Cooperative Extension Service and Tal DuVal in particular. The Project encompassed about 2 years and was designed to determine where Georgia was during the period 1984, 1985, and 1986 and where Georgia should be in the year 2000. It was the first project of its kind in the State of Georgia.

We now have Governor Harris' Growth Strategy Commission and I am excited about that particular Commission and I believe that a lot of good is going to come out of the Growth Strategy Commission.

We produced a Georgia 2000 Report and I believe that Tal DuVal is here—if he is not here, he is coming—and he will have some of these reports if any of you are interested in the Georgia 2000 Report, and I commend it to you. Feel free to ask Tal DuVal for a copy. If you do not see Tal or do not know Tal, feel free to ask your county agent and I am sure that he can get you a copy of the Georgia 2000 Report.

I think the purpose of the Georgia 2000 Report is best set forth by what Tal DuVal had to say about it and I would like to read that to you.

He said, "This is one of the most comprehensive public policy education efforts ever conducted in our State. A group of really dedicated Georgians interested in giving positive direction to Georgia's future, devoted many hours over a 24-month period identifying and discussing the major issues facing our great State."

And this is part of what we learned in the Georgia 2000 effort. We learned that today we are the 11th largest State in the United States population-wise, larger than Virginia or Massachusetts and the eighth fastest growing State in the country. In the southeast, only Florida grows faster than Georgia.

We learned that we had about 5.5 million people in the State of Georgia in the year 1980 and in the year 2000 we are going to have 7.5 million people. Contrast that with Florida which had about 7.5 million people in 1980, they are going to have 15 million people in the State of Florida in the year 2000.

We are at the center of America's fastest growing region, the Southeastern United States. If you take the State of Georgia and all the States that surround it and touch it, it is a marketplace of some 40 million persons. In the Atlanta metropolitan area, with 2.5 million people, it is the 13th largest metropolitan area in the country.

Our per capita income grew an amazing 27 percent from 1982 to 1985. Our per capita income is now about 91 percent of the national average. Just as Dr. White told you, in the Atlanta metropolitan area, our per capita income is 110 percent of the national average and in the rural areas of the State, it is about 70 percent of the national average.

We have two major rail systems in this State. We have 1,200 miles of interstate highways. We have four ports; one at Bainbridge, one at Columbus, one at Brunswick and then probably the finest port in the southeastern United States at Savannah. And then we have that thing that I think makes us distinctly different from Mississippi and Alabama and South Carolina, the thing that I think is the largest single economic factor in the State, and that is Hartsfield International Airport.

It costs less to do business in Georgia. Land and construction cost is 10 to 20 percent less than in other industrialized States. The productivity from Georgia workers is 36 percent higher than the national average.

We have some abundant and important natural resources. We have coal, the world's largest kaolin reserves, 24 percent more electricity than we are using at the present time and while I realize that is a controversial subject at the present time, nonetheless I feel that bodes well for the economic future of this State.

We have commercial forests and then we have what I think is by far our most important natural resource, one that needs to be guarded the most, and that is water. The largest underground aquifer, the largest underground river, in North America is located in Southwest Georgia.

Your State government is pro-business in Georgia. The modest corporate tax rate has not changed since 1969. The sales tax rate of 3 percent for the State has not been increased since it was put on in 1953. Income tax rate has not changed, 6 percent maximum,

since 1937. We are the only State in the country—the only State in the country—that has not had a tax increase in the 1980's.

And I think we have what I like to characterize as a good quality of life. We have got a mild climate generally speaking, the mountains, lakes, and beaches.

Nonetheless, it is obvious that we do continue to have problems in the State. We have what I like to characterize as a disparity of wealth problem. I agree with Governor Harris that there are not two Georgias, I think there are three Georgias or four Georgias or five Georgias. Certainly the Atlanta metropolitan area is doing well. Certainly my county of Houston is doing well. Douglas is doing well, Vidalia is doing well, Fitzgerald is doing well, Toccoa is doing well, Valdosta is doing well. But there are areas of the State, and Senator Fowler, just as you stated, if you get in your automobile and ride over this State, you will know that there are areas of the State of Georgia that are not doing well.

What can we do about areas of the State of Georgia that are not doing well? I think we ought to consider the establishment of what I call economic incentive zones, identify those areas of the State that are not prospering and say to those areas of the State, we are going to do more for you than we are going to do for the Rockdale Counties and the Gwinnett Counties and the Cobb Counties and Fulton Counties and the Houston Counties. Perhaps we ought to consider saying to them, if you will locate your factory in this county, you will not have any corporate income tax for 5 years, you will not have to pay any property tax for 5 years. We will put part of the infrastructure in for you if you will locate in this particular county.

The developmental highway program which has been started under the Harris Administration certainly can be a big boon to the rural areas of the State that are not doing well. When we locate the second major airport in the State, we need to consider the economic impact it is going to have on this State with the other factors to be considered. We need to be thinking about a rapid rail system or bullet train system in the State.

This wonderful thing called Hartsfield that has meant so much to our State has also hurt some of the areas in the State in that so many industries say do not locate more than an hour away from Hartsfield International Airport. They simply do not want to locate more than an hour away. If we could break that circle with a bullet train or a rapid rail system, people would be willing to locate further away from Hartsfield International Airport.

Last, and I think most importantly, for the areas of the State that are not doing well, we must continue to have educational improvements. We can do all the other things for the areas of the State that are not doing well, we can put the basic infrastructure there, we can make them accessible, but if they do not have a good public school system, in my opinion, they are not going to prosper.

I think we need to be concerned about the environmental issues that we are going to have to face with this tremendous growth in population. Air quality, preserving our water resources, disposing of hazardous waste, open spaces problem in the metropolitan areas, retention of prime agricultural land. As Senator Nunn knows, Congressman Ray knows, some of the best land in Houston County,

which is some of the best farm property in this State, is no longer being used for agriculture because of growth, and I think we are going to see that all over the State.

Other issues that I see facing the State; prison overcrowding, health problems, AIDS, Medicare rates increasing, et cetera. Lastly and most important, and I come back to this, is that I think the major focus of the State of Georgia has got to be and continue to be in education. 53 percent of our tax dollar goes into education now. We passed the Quality Basic Education legislation in 1985 that is just now going into effect. I think it is important that we do not weaken QBE, if anything we strengthen QBE, but by working together I think that we can have one of the greatest States in this Country in the coming years and certainly by the year 2000.

It is a pleasure for me to be a part of this panel.

Senator NUNN. Thank you, Larry, and I must say I have read with interest the Georgia 2000 Report and I think you have really performed a great service for the State of Georgia. I congratulate you and your leadership and the Extension Service for undertaking that.

Our next presenter today is Mayor Lace Futch. Mayor Futch is past President of the Georgia Municipal Association, he is the Mayor of Willacoochee, Georgia. In addition, he serves as Chairman of the Rural Economic Development Study Committee and this is a Committee that the Governor's Office has appointed to focus on the problems that beset rural Georgia.

Mayor Futch, it is a delight to have you with us this morning.

STATEMENT OF HON. LACE FUTCH, MAYOR OF WILLACOOCHEE, GA

Mayor FUTCH. Thank you, Senator Nunn.

Senator Nunn, Senator Fowler, Congressman Ray, other distinguished guest, ladies and gentlemen, I am Lace Futch, Mayor of the City of Willacoochee, a town right in the heart of rural south Georgia. I have been invited to speak today in two capacities, as a representative of the Georgia Municipal Association, whom I presently serve as second vice president, and as chairman of the Policy Advisory Committee on Rural Economic Development, a group which is currently conducting a study aimed at recommendations for the Georgia General Assembly.

With your permission, I would like to spend just a few minutes explaining our rural economic development study and then I will comment briefly on Federal development policy from the point of view of local governments in rural Georgia.

During the last session of the General Assembly, two bills were passed and signed by Governor Harris directing the Georgia Department of Community Affairs to create a rural economic development plan by the end of calendar year 1987, and also a procedure for identifying regional development projects in rural Georgia that the State might consider assisting financially.

The Board of Community Affairs, of which I am a member, set up a Policy Committee to head up this study, composed of State legislators, city and county officials, development organizations, area planning and development commissions, and others interested

in rural Georgia. Supporting this committee is a very large staff group from State agencies, the university system, APDCs and development organizations.

The major aim of this study is to come up with practical, immediate steps the General Assembly and the Governor can take to improve economic opportunities in rural Georgia, and to better coordinate the resources we already have, including those of local governments. When I say practical steps, I mean that we are only focusing on those problems we can do something about here in Georgia, which pretty much excludes farm commodity prices and credit. And when I say immediate, I mean that this will not be a pie-in-the-sky study aimed at paving our streets with gold sometime in the distant future. Because we are very serious about this effort, we also are not going to shoot ourselves in the foot by recommending actions that would bankrupt the state treasury.

Our Policy Committee has met once in Macon, and will meet again in Atlanta on July 28. Our staff work teams have been meeting almost continuously for the last month. We are dividing our work into four major issue areas.

First of all, we are pulling together from a variety of sources the best available economic analysis of rural Georgia, beginning with the most basic question, which is how you define rural. Our ultimate aim in this part of the study is to develop a region-by-region profile of the rural economy, including a list of those industries which offer the best potential for each part of rural Georgia, and a clear notion of what State and other local governments can do to achieve that potential. Now that sounds pretty dry, but it is very important to get down to brass tacks about the type of economic activity different parts of rural Georgia ought to pursue, instead of pretending there is some simple statewide solution, whether it is manufacturing, tourism or catfish farms.

Our second issue area is that of State and local resources, and there we are trying to assess existing programs, from roads to industrial recruitment, to see how well they perform in addressing the needs of rural Georgia. To my knowledge, that has never been done before, but it is the only responsible thing to do before proposing something new or demanding changes in the way that programs or agencies function. You will note I said State and local resources because you cannot design effective State programs without linking them to local resources, needs and decisions, and you cannot conduct an effective local development effort without the right kind of help from the State, and at the right time. We are taking Governor Harris' philosophy of State and local partnership very seriously because it works.

Our third issue is improving access to capital for rural areas, an age-old problem that is unfortunately still with us in Georgia. We are trying to find out why commercial banks and other sources of capital in rural areas are unable or unwilling to finance development projects and what the public sector can do without interfering or competing with the private sector. A very urgent task is to find a way to replace tax-exempt industrial development bonds, which rural Georgia probably relied on more heavily in the past than any other part of America. That little section of last year's Tax Reform Act has turned out to be a great big problem for rural

Georgia, but instead of just sticking our head in the sand, we are trying to see what we can do to offset the loss.

Finally, we are looking at the way we can promote rural development at the regional level, across city and county lines, to see if we can identify types of projects that could provide a jumping off point for creating new industries benefitting regional market areas.

We will have a basic set of recommendations approved by the end of this month, and then we are holding town meetings all across rural Georgia in August, to test our concepts and simply listen to what the people of Georgia have to say.

This study is ambitious, but it adopts what the Governor calls a no-nonsense businesslike approach. We will not solve rural Georgia's problems overnight, but we will get started, and fast.

We are trying to get our act together in Georgia on rural economic development, and we have the support of the Governor and the General Assembly. With all due respect to Senators Nunn and Fowler, I would like to suggest on behalf of the Georgia Municipal Association, that the Federal Government do the same.

Some might think it strange that a Municipal Association has strong feelings about rural development, because people think of municipalities as urban. But in Georgia, the overwhelming majority of cities are like Willacoochee, proud and growing but definitely not major metropolitan areas and probably not for the next few years.

People hear the word city, and they think of Atlanta or Savannah and people hear the term rural program, and they think about price support for hogs and soybeans. The second stereotype is just as inaccurate as the first.

If you asked 100 city and county officials from non-metro Georgia to name the most important Federal programs affecting rural economic development, 99 would probably give you the same list; surface transportation grants from the Highway Trust Fund, wastewater treatment construction grants authorized under the Clean Water Act, and the Community Development Block Grant program. Those also happen to be the top three Federal priorities of the Georgia Municipal Association. Those three programs are critical because without them, we simply cannot finance the infrastructure we need to grow in the first place, and to manage growth once it begins.

You will notice that none of these three programs have rural in the title, and maybe that is our problem. At a time when the whole country is concerned about rural development, and anxious to throw some new money at the problem, these three programs are as usual fighting to stay alive and healthy.

At the beginning of the current Congressional session, the President vetoed the Clean Water Act reauthorization, calling wastewater grants "packed with pork" and "layered with lard". Congress overrode that veto, with strong support from our two Senators, and we are grateful for that, but I have never heard anyone criticize the President for ignoring the problems of rural America.

A month or so after that fight, the Democratic Chairmen of the House and Senate Budget Committees each took a swipe at the Community Development Block Grant Program, saying that it was a real good place to start cutting the budget. The did not prevail in

that effort, and Senator Fowler in particular played a role in reversing that decision, and we are thankful to you, Senator. But again, I never heard anybody suggest that liberal Democrats were turning their backs on rural America.

Just a few weeks ago, the Chairman of the House Ways and Means Committee said he had searched high and low for some new revenues to help reduce the budget deficit, and concluded that the only answer was to raid the Federal Highway Trust Fund. Now quite a few road builders have screamed bloody murder, and State and local officials naturally take a pretty dim view of a proposal to preempt our gas taxes until the middle of the next century. But I have not heard anyone attack Mr. Rostenkowski as an enemy of rural America.

If Congress is looking for ways to promote rural economic development, it should forget about new programs and work on preserving and improving what we have already got, beginning with the three programs I have just mentioned. Look at what programs accomplish, not what they are called. If the Federal Government could commit to maintaining wastewater treatment grants, highway funding, and Community Development Block Grants while making them more flexible through local means, then we might not need new programs or more money.

So long as the programs most important to rural Georgia are subject to constant attack from the left to the right, then Federal development policy will continue to be no more than a weekly periodical. And for every nickel you save in a cut here and a cut there, you will wind up spending twice as much in new programs to respond to distress in rural America.

I know that Senator Fowler will work hard on the Agriculture and Budget Committees to make sense of rural development policy. You have got your work cut out for you, Senator. And I hope that in 1989, Senator Nunn can take care of things at the other end of Pennsylvania Avenue.

Thank you.

[The prepared statement of Mayor Futch follows:]

TESTIMONY BEFORE THE U.S. SENATE HEARING ON RURAL DEVELOPMENT
BY LACE FUTCH, MAYOR OF WILLACOOCHEE, GEORGIA

JULY 20, 1987

FT. VALLEY, GEORGIA

Senator Nunn, Senator Fowler, ladies and gentlemen...I'm Lace Futch, Mayor of the City of Willacoochee, a town right in the heart of rural South Georgia. I've been invited to speak today in two capacities...as a representative of the Georgia Municipal Association, whom I serve as Second Vice President...and as Chairman of the Policy Advisory Committee on Rural Economic Development, a group which is currently conducting a study aimed at recommendations for the Georgia General Assembly.

With your permission, I'd like to spend just a few minutes explaining our rural economic development study...and then I'll comment briefly on federal development policy from the point of view of local governments in rural Georgia.

During the last session of the General Assembly, two bills were passed and signed by the Governor...directing the Georgia Department of Community Affairs to create a rural economic development plan by the end of calendar year 1987, and also a procedure for identifying regional development projects in rural Georgia that the State might consider assisting financially.

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Supporting this committee is a very large staff group from state agencies, the university system, APDCs and development organizations.

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At the beginning of the current Congressional session, the President vetoed the Clear Water Act reauthorization, calling wastewater grants "packed with pork" and "layered with lard." Glad to see that Spiro Agnew's old speechwriter is back in Washington. Congress overrode that veto, with strong support from our two Senators, and we're grateful for that, but I never heard anyone criticize the President for ignoring the problems of rural America.

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I know that Senator Fowler will work hard on the Agriculture and Budget Committees to make sense of rural development policy. And I hope that in 1989, President Sam Nunn can take care of things at the other end of Pennsylvania Avenue.

Thank you.

Senator NUNN. Thank you very much, Mayor Futch, for that very enlightening statement. We appreciate your leadership.

We will jump to the end of the table now and hear from C.D. Rampley. I have known C.D. for a long time. He is the executive director of the Coosa Valley Area Planning and Development Commission, one of our first Area Planning Commissions in the State of Georgia. In fact, it is one of the first in the United States. He has done an outstanding job for years and I am sure that he has some interesting comments to make to us this morning. C.D.

STATEMENT OF C.D. RAMPLEY, EXECUTIVE DIRECTOR, COOSA VALLEY AREA PLANNING AND DEVELOPMENT COMMISSION, ROME, GA

Mr. RAMPLEY. Thank you, Senator Nunn and Senator Fowler. I appreciate very much the opportunity to address you on behalf of the Area Planning and Development Commissions throughout Georgia.

Since their inception in 1961, the 18 Georgia Area Planning and Development Commissions, or APDC's, have used a regional approach to assist their respective areas in developing and responding to needs with available resources.

The APDC's serve as a forum to discuss and handle areawide and common problems, as well as provide management information and technical assistance to member governments. The APDC's act as a liaison between local governments, special interests and Federal and State government.

The APDC's prepare regional comprehensive and functional plans, along with population and economic forecasts, to guide the orderly growth and development or rehabilitation of a given area. Never has the need or the opportunities for the APDC's been greater to assist rural economic development across Georgia than at the present.

Local governments are battling to cope with the reduction of Federal and State funds which has, in part, helped them develop and operate basic services. With decreasing resources has come the growing need for municipal and county officials to form regional solutions to their pressing needs.

Solid waste, clean water, transportation, the environment, the elderly, the homeless and economic development are some of the pressing needs that must be addressed with the scarce fiscal resources. Local county and municipal officials in State legislatures must address cross-jurisdictional problems within Federal guidelines but without Federal funds.

We are fortunate in Georgia that the Governor has recognized the problems experienced in the rural parts of the State. His strategy has been to emphasize diversity in the Georgia economy, and that is one of the main reasons for our State's overall economic stability compared to other parts of the Country that are more dependent on farming or the oil industry. Atlanta's tremendous growth has been an asset to the entire State because the tax revenues generated are being used to improve opportunities all across Georgia.

State government has made a commitment to invest in education, job training, transportation and leadership programs to help rural Georgia grow. Governor Harris has emphasized a team approach of the State and local governments working together. Along these lines, a regional approach can be effective in pooling the resources of local communities to attract and expand economic development opportunities. Through programs like the Growth Strategy Commission and the Rural Economic Development Study, the State is moving forward in addressing the needs of rural Georgia.

As an example of the teamwork effort in Georgia, in our area in northwest Georgia, we have counties cooperating with others in attracting new industries; one county provides the land, the other county provides services such as water and sewer and both provide the labor force for the benefit of a wider area. Other counties have joined together to address common concerns over the availability of water resources, water management and transportation needs. Cities and counties are working together to identify community needs, both now and in the future, and develop joint methods of meeting those needs. The plight of some of our rural communities make such joint efforts imperative if the goal of having viable rural areas is to be achieved.

On the chart I have brought today are a few examples from several of the 18 APDC's of ways in which the APDC's have contributed to rural development in Georgia. We have been able to accomplish these and other efforts through your assistance, but in viewing the economic development needs from a regional perspective, I have come to realize that these needs may vary greatly from county to county. In the past, I have witnessed the attempt of local folks, local governments, to meet their needs by trying to fit these needs to a multitude of narrowly defined programs out of Washington. The mismatch between what local communities need and want and what is later funded in many areas may be painfully humorous.

I believe that much can be learned from the Job Training Partnership Program as implemented in Georgia in this regard. Local plans developed and approved by the local private industry councils and the elected officials prioritize the training needs of the area and design programs to meet these needs.

We need a similar structure for Federal funding of economic development in which the Federal Government provides a broadly defined mission that allows State and local governments flexibility to meet the other economic development needs such as water and sewer construction, transportation, leadership development or other problems hindering a local community from developing.

Such a program as I have suggested cannot be implemented overnight. Therefore, we encourage you and respectfully request that you support the continuation of such programs as the Economic Development Administration's Public Works and Infrastructure Programs, the effective Business Loan Programs of the Small Business Administration, and the Farmers Home Administration Community Development Block Grant Programs, the human services programs on aging and job training which will ensure that Georgians will enhance their opportunities for a brighter economic future. Such programs as these specifically address the problems

which deprive parts of rural Georgia of the prosperity found in many urban areas of our State.

In developing regional economic development strategies, the APDC's are the natural entities to provide cost effective services. Rural communities lack the resources to maintain staff competent to address the diverse needs of their communities. However, most do not require full time staff, but do need such resources from time to time. The APDC's can provide member governments technical expertise on an as-needed basis that is responsive to local concerns. With adequate funding, the APDC's will have the tools to continue to assist local governments in providing the services necessary for a strong local economy.

We appreciate the opportunity to reflect on our concerns for rural Georgia and to share with you some of the means that the APDC's are using to meet our region's current and future needs and solicit your help in providing Federal assistance to be used with local resources to address our communities' needs.

Thank you.

[The prepared statement of Mr. Rampley follows:]

STATEMENT FROM

C. D. RAMPLEY, EXECUTIVE DIRECTOR

COOSA VALLEY AREA PLANNING AND DEVELOPMENT COMMISSION

For Presentation at Nunn-Fowler Rural Development Hearing
Monday, July 20, 1987
Fort Valley State College

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APDC'S CONTRIBUTION TO RURAL ECONOMIC DEVELOPMENT
UTILIZING EXISTING FEDERAL FUNDING ASSISTANCE

NORTHEAST GEORGIA APDC - Regional water study which will chart the course to provide a water supply for that region's rapid growth.

COASTAL APDC - Planning effort helped bring the single largest investment in the State of Georgia, the \$1 billion Fort Howard Paper Plant in Effingham County

A revolving loan of \$5 million from EDA helped save 850 jobs as well as 350 additional jobs of the processor in Texas. As a result of that loan, the payback has created and saved thousands of jobs in the Coastal Region.

MIDDLE GEORGIA APDC - Packaged funding for Houston County to extend water service into an industrial site allowed FRITO LAY to construct a plant, invest \$2.75 million, and create 600 jobs.

Financing for the NORTHROP CORPORATION which is building a defense contracting facility employing 1166 persons.

SOUTHWEST GEORGIA APDC - Cooperative marketing with EDA, UNIVERSITY OF GEORGIA, AND GEORGIA TECH has led to KROGER COMPANY building a peanut processing plant in Albany. As a result, two additional support plants employing 449 persons have been constructed.

MIDDLE FLINT APDC - A .4.7 million UDAG provided necessary funding to locate a PROCTOR & GAMBLE plant employing 700 for the cities of Oglethorpe and Montezuma.

COOSA VALLEY APDC - Packaged funding for Adairsville to provide infrastructure into an industrial site allowing PRINCETON CARPETS to construct a plant, invest \$14 million, and create 200 jobs.

Packaged funding for Menlo to provide a public sewage collection/disposal system serving BEST MANUFACTURING COMPANY. This project allowed Best Manufacturing to return and create jobs totaling 650.

Senator NUNN. Thank you, C.D. for that. We appreciate you being here with us.

Our next panelist is Mr. B.A. Jones. Commissioner Jones is the head of the Southwest Georgia Economic Development Council Development Council. He also serves right at the very heart of where the problems are most occurring and have to be addressed, and that is he is chairman of the Miller County Board of Commissioners. He also serves as chairman of the Ten County Southwest Georgia Economic Development Council. B.A., we are delighted you could be with us this morning.

**STATEMENT OF B.A. JONES, JR., CHAIRMAN, MILLER COUNTY
COMMISSION, COLQUITT, GA**

Mr. JONES. Good morning. Thank you, Senator Nunn, Senator Fowler, and Congressman Ray, for taking this interest in rural development and giving us this opportunity to help you gain some insight into some local problems that we do not yet have answers to. Maybe together, something can be developed that will help.

I am B.A. Jones, Junior, chairman of the Ten-County Southwest Georgia Economic Development Council and I am also chairman of the Miller County Commission and director of the Southwest Georgia Area Planning and Development Commission. You invited me here as chairman of the Economic Development Council and I will talk from the vantage point of that office.

We used to say that those of my generation were born in debt and raised on credit, the doctor bill for our delivery had just been paid off when the draft snatched us up. We never really contributed to the family in an economic way. We lived in shotgun houses, wore overalls and we accepted it. We thought everybody lived the same way but now we know better. Our young people know better. I am not a Socialist but I do believe society owes me something.

One of the first studies the Southwest Georgia APDC did identified the counties in the western part of this area—that is us—as a desert due to the lack of economic activity. Knowing this and seeing that in some respects things had gotten worse, I began to agonize over our particular plight. While each county inches along with one or two APDC's, we are far different as a group than a total of each APDC's.

So, we went to Georgia Power Company who had then developed a leadership program for economic development groups. They agreed to help. They brought in the Cooperative Extension Service, Oglethorpe Power, Department of Community Affairs, Department of Industry and Trade and we brought in two APDC's.

After several meetings and much haggling, these 10 counties decided that we had to tackle our own problems. Now we have an official organization created by the counties, cities and all of the chambers of commerce. We have letters on file in support of each of these—we have assessed ourselves so we know what we have and what we do not have. We have had quality leadership training programs thanks to the help of groups I mentioned earlier.

Here is what we found when we started looking at ourselves. First, while it is projected that Georgia will see a population growth of 16 percent between 1980 and 1990, our 10 counties expect

to see a decline of 7 percent. Only one county, Early, holds its own. Who are we going to lose? According to the urban system, the people in their most productive years. We will lose 17 percent of people from age of birth to 20. We will see a decline of 5 percent in population of ages 21 to 34. But have a 9 percent increase of people over 65.

In 1985, the area had a per capita income of only 66 percent of that of Georgia. How can we do better when we serve the human resource factors of the more economically active areas of the country? This is a fact most people do not realize or appreciate. While the draft may not be removing our investment in our young people, we are still losing them. We have already seen that young people leave.

While the 1986 scores on the basic skills tests showed students in the area were near and in some cases exceeded state scores, we still find that 63 percent of our population has less than a high school education.

Senator FOWLER. 63?

Mr. JONES. 63 percent. Our investment sure needs help.

How can we do better when we find 57 percent of our tax digest is based on agriculture, which you know has been having an awful time.

Many seem to think rural areas like ours do not do enough for themselves. While we have not analyzed the financing of education this way, we find that these 10 counties give 37.9 percent of their property taxes, yielding \$84.00 per capita. Statewide property taxes, with almost the same percent of revenue provided \$116.00 revenue per capita for county governments. In addition, statewide almost 20 percent of revenues comes from local option sales tax. We only realize about 14 percent of ours from this source. Our sales tax dollars go to Atlanta, Columbus, and Dothan; another fact many do not appreciate.

These are only a few indicators of our special rural problems. We are committed to helping our own area. We believe that nationwide other groups are going to have to do likewise. With the help of the people mentioned above and the commitment to hundreds of hours by council members, we have got some things going. You would be proud of the presentation this council has prepared to try to take advantage of the changes we see coming about in the poultry industry. We have had groups working on new facilities in the dairy industry. As a result of the experience we are gaining, I have no doubt the State area development will be comfortable working with us but we have got to do other things to get ready.

We so far have not asked for direct financial help. We have deliberately looked to APDC for staff support, but they have one position funded by EDA and with many others that need to be served by that position, cannot continue to concentrate their efforts in our area.

The patterns we now have do not provide job opportunities; public investments need to be made. I know the developmental highway program is a State effort but it needs to be accelerated. We in the rural agriculture areas really need to be supported by more agriculture and agribusiness research such as research into

genetics so that more productive varieties of commodities in present demand can be found.

We need some in-depth research into the worldwide demand for food products with specific application to our potential ability to produce the crop competitively.

We need capital. We have already cited the problem of sales to rural residents being made in the larger cities. There go our dollars. Some time ago, the APDC studied the condition of capital availability in southwest Georgia. It found that on the whole the banks in this area had a much higher loan-to-deposit ratio than at the State as a whole and yet to get an EDA revolving loan fund we have to raise matching funds. We cannot repay the matching funds or pay dividends.

We need some modification of present rail abandonment procedures. Whole areas of the country are now being placed in the position, mostly because of recent agricultural problems, of getting poorer instead of the chance to revitalize due to the ease and speed with which rail segments can be abandoned. This, after having contributed to the well-being of the railroads for as much as a century.

We need more help in planning. The only assistance our APDC's get now is through the longstanding EDA planning board. With the present flight from rural areas, it is more important than ever that resources be properly allocated. Without planning, we will likely compete with each other for available resources to the detriment of the entire region.

One thing our Economic Development Council is proud of is that our whole intent in organizing was to be mutually supportive instead of internally competitive. We hear much about such incentives as grants. Why not one more, tax incentives for private enterprise located in rural areas, the extent of the incentive based on the amount of the investment, the number of jobs created and relative distress of the community.

If the State and Nation are concerned about balanced growth, they need to help. With modern communications a new agency's office or services can easily be provided out of Colquitt or Lumpkin, and probably much more efficiently and cheaper than inside the beltway or in downtown Atlanta. But it is going to take a commitment by policymakers to change the mindset. It can be done.

Gentlemen, thank you for being here, thank you for listening.

Please just give groups like the Southwest Georgia Economic Development Council your attention and encouragement. We will do our best but we cannot hope to do it alone. Help us show the Nation that the rural areas that do produce food and fiber and productive young citizens are important and deserve the same attention and public investment as central cities and suburban areas.

If you have questions, I will try to answer them.

Senator NUNN. Thank you very much, B.A., for sharing with us some of those problems that you addressed very frankly and for outlining the areas that you are working on. We appreciate you being here very much.

Now we will have a brief panel discussion and I will ask Mr. Fowler if he would like to pose the first question.

Senator FOWLER. Senator Nunn, thank you and thank everybody.

I guess I cannot help but reflect in the beginning, in starting our discussion, though this was not specifically mentioned I do not think, I believe everybody on the panel will agree that there is a tremendous irony here that many of the things that we used to—that brought jobs to rural areas of our State, throughout the rural south specifically; specifically lower taxes as Mr. Jones just described, and lower wages, brought the labor intensive manufacturing jobs to the South, we were able to attract it by bragging about lower wage costs and taxes. Those same things we see now in the world economy are causing so many plant closings and companies or jobs moving overseas because so many countries, especially Third World countries, are offering lower taxes and lower wages and as a result we are whipsawed by it.

Commissioner Jones, in those 10 counties that you all put together, are any agricultural products, say, other than peanuts, of course, actually processed in those counties?

Mr. JONES. Very little processing of peanuts. I do not think we have any peanuts processed—yes, we do have some in Blakley.

Senator FOWLER. In Blakley?

Mr. JONES. Right.

Senator FOWLER. What about textiles? Have you had any textile plants to close that were in operation?

Mr. JONES. No, we do not have any. If we do have, they are very small.

Senator FOWLER. What is it—I picked up the thread in your testimony but just to be specific, what is it that industry officials around the country when they are looking at rural southwest Georgia, what is it that they identify as negatives in saying this is why we are not going to come. This is what we require that you do not have and that is why we are going somewhere else?

Mr. JONES. Senator, number one I think would be education level. It is not that we do not have a good education system, and it is not that we do not graduate the right students, you know. Like my county has got the lowest unemployment rate in the 10 counties, but why not, everybody left. [Laughter.]

We have low unemployment but everybody left. We can probably get to zero unemployment.

Senator FOWLER. I know I speak for Senator Nunn also, I am very, very pleased to hear—Larry Walker made the highlight of his presentation, Dr. White, almost everybody—we all know that education is the key to personal success in this life, but I was really pleased with the emphasis of this panel that education really is the absolute key to economic development and that if you do not have an educated work force waiting, the good jobs are not going to come. They are going to go somewhere else.

Mayor Futch, again it sounds like—it may sound like the obvious, but I just want to get it on the record. I know the answer but I want—the average high school graduate in Willacoochee, do they come home—do they stay home to live? What happens to them? Why do they not work—approximately what percentage stay in Atkinson County and why do they leave?

Mayor FUTCH. I would say 50 percent stay, Senator, and 50 percent leave. The 50 percent that leaves, there is not an opportunity for them to work, there are no jobs available.

Fortunately in Willacoochee, we are doing something to reverse that trend and trying to make jobs available for them there in Willacoochee and in our county, and we are slowly getting that turned around.

I would like to comment on education, as far as high school education and beyond that, and not necessarily college. Our technical schools, I know that we are all aware of those, and I think they play a major part in industry locating in rural Georgia. I know that they did—and probably this will be touched on this afternoon by a fellow from Douglas, GA; they played a major part in training some of the people that went to work at Walmart Distribution Center in Douglas, GA. And I think that if we could enhance or help our area technical schools, I think that would better benefit our work force and they would be more ready to take advantage of jobs when they do come.

Senator NUNN. Let me ask a question of Dr. White. Dr. White, you mentioned that we need to shift our priorities in terms of industry and industrial development from one of going out and recruiting outside industry to one of creating home-grown industry. We have been though recruiting outside industry for a long time and Georgia has been rather successful in that regard and continues to be rather successful in that regard. Are you saying to deliberately downplay that or are you saying give a lot more priority to indigenous industry?

Dr. WHITE. I guess what I am really saying is that we need to reorient our attitudes and how we spend public resources and the whole thrust of State economic development policy. And this also relates to something Senator Fowler said about this problem of jobs migrating overseas. An economist at UNC has described the South as an industrial hospice. As industries mature, they have tended to move South as a last gasp before they move over to Singapore or some other place where the labor and land and everything else is cheaper.

It seems to me that we have got to fundamentally get out of that mindset. It permeates our rhetoric. Like on the panel this morning—and I have done this all my life too, so I am not criticizing anybody—we are talking about getting our people ready for the jobs to come, having our work force educated so that the jobs will come.

It seems to me we need to shift our whole mindset toward getting our people ready to create jobs. And this deals with long term strategic issues of education, leadership training, giving people a sense of entrepreneurial spirit and ability, capital availability, technical assistance. About 80 percent of small businesses fail after something like 4 or 5 years and a lot of people think that could be significantly reduced by good intervention—this is a public sector function through technical assistance. Georgia and the South generally have got a good community college system that could be a good delivery system for that, also 4 year colleges, universities, and so forth.

It is a long term situation. What we at the Board have said, Senator, is that the South has got to pursue a dual track strategy. We still are good at recruitment and for distressed communities that can get a plant that will provide jobs for 8 or 10 or 12 years, that is

fine. We would advise not to give your tax base away in the process, because in essence you are shooting your own toes off when you do that because you need the taxes to help the school system, and so forth, over the long term.

But the long term strategic issues I think are developing that human and physical and financial infrastructure to allow southerners to create jobs for themselves instead of waiting for outsiders to bring them in to them.

Senator NUNN. Larry, would you comment on the free enterprise zone, the legislative effort in this regard taking place now?

Representative WALKER. I think Mr. Jones articulated that thought better than I did in my remarks. It is interesting to me that we like to say in Georgia that we do not offer incentives like South Carolina does, we poke our chests out and we brag about that. To me that is fine again for the Rockdales, and Claytons and Cobbs and Houstons and Fulton and Gwinnett Counties. But that is not so good in those areas of the State that are economically suffering and it strikes me that first we have got to identify the areas of the State that are blighted, economically deprived, and then we should consider establishing economic incentive zones if you want to call them that, whereby we would say to the company if you will locate your industry in this particular area of the State, we will do more for you or we will do something for you that we will not do for you if you locate it in Houston County or Cobb County.

We are going to talk about this in the Growth Strategy Commission and I think it is going to be talked about more in the coming years. I think we possibly will see legislative efforts in that regard.

But again, we can do all of these things; we can offer incentives and we can make the area of the state accessible, but if we do not improve the public education system, I think we will fail.

Senator NUNN. Thank you. I believe Senator Fowler has one more question for this panel.

Senator FOWLER. I just wanted to follow up again, Lace, you were saying that you were trying to do what Dr. White was recommending, take matters into your own hands just like the counties that Mr. Jones talked about. But again, in trying to be specific, what economic opportunities are there now that you can identify in Atkinson County that are not agricultural or agricultural based? Are there any?

Mayor FUTCH. Yes, there are, there are several programs. The Community Development Block Grant Program, of which I stated I am a member of the Board of Community Affairs, we set aside each year \$3 million of our total amount we get from the Federal Government for this program. These are used for what we call program grants. If Miller County or Bleckley or Willacoochee has a program that they like that looks like a good program or an industry that wants to locate or commit to hire so many jobs, then they, whoever, can make application to the Department of Community Affairs for a grant. And this is not a matching grant, this is a 100 percent grant. The only thing this industry has to do is commit, like I say, to provide jobs.

Senator FOWLER. But are there any of those that are home-grown, where a group of business men and women got together in

Atkinson or Miller and said we want some of the money. We are already here but we just need that venture capital to go to work.

Mayor FUTCH. I can tell you about a situation of mine, Senator Fowler, in Willacoochee. In 1984, I had a small boat factory that was manufacturing bass boats and small fishing boats and they were working in an old barn with part of it, doing the bottom part and physically carrying these boats across to a building that they were using to put the tops on and get them ready for shipping. Through this same program I talked about, we applied and received a \$236,000 grant to build them a 30,000 square foot building. Since that time, from employing 15 people which they had and probably a total sales of less than a quarter million dollars a year, they have expanded into 96,000 square feet and presently employ 150 people with hopefully employing 400 people by 3 or 4 years.

Senator FOWLER. That is what we are talking about.

Mayor FUTCH. And their total sales now are in excess of \$54 million a year. This creates money not only for my town and my county, but for the State also.

And I would like to state, Senator Fowler, for the record that Commissioner Jones realizes full well what I am fixing to say, is that we cannot have development without leadership. You have got to have somebody in that community that wants leadership. I do not care how much you want to put it on him, if he does not want it, he is not going to take it. And that certain county or that city has got to want economic development and industrial development to get it. I mean it has got to be hungry and there are several counties and cities out there that the people are satisfied with the way they are now. There is no way in the world you can make them grow if they do not want to grow. And we have that situation in Southwest Georgia and we have that situation in Southeast Georgia.

So I think one of the keys is for your local leadership—I think Dr. White mentioned that—if you do not have the local leadership, it is all not going to work.

Senator NUNN. Well we thank all of you for being here this morning. I would like to go on with this discussion, but we have another panel that we need to complete before we break for noon. I thank each of you for being here, you made excellent presentations and we look forward to continued dialogue in this area.

Senator FOWLER. Thank you all very much. [Applause.]

If the next panel will come on up, I will introduce you individually as you come. Everybody else can stand up and stretch for 60 seconds.

Senator NUNN. Let me make a brief announcement here. For your information—

[Pause.]

Senator NUNN. Have a seat and we will get started. I was told my microphone was not working so I will share with Mr. Fowler at this point.

I am told that lunch tickets are still available at \$4.50 at the information booth outside. Morrison's is catering a fine meal of pork barbecue, slaw, chips, bread, and tea in this building, so any of you who would like to stay for lunch. We have three stimulating panels

this afternoon, so I hope as many of you as possible will be here this afternoon.

Senator Fowler.

Senator FOWLER. We are pleased to welcome Panel II under the broad but very significant topic of rural life in Georgia. Our first witness will be Mr. Tarver Averett, the school superintendent of Washington County. Superintendent Averett was elected school superintendent in 1977. The Washington County school system has approximately—you have got over 3,000, do you not?

Mr. AVERETT. 3,500.

Senator FOWLER. 3,500 students. And we are delighted to have you representing the educational community, Mr. Averett.

STATEMENT OF E. TARVER AVERETT, JR., SUPERINTENDENT,
WASHINGTON COUNTY, GA

Mr. AVERETT. It is not Dr. Averett, but thank you very much.

Senator FOWLER. Well I am conferring honorary degrees today.

Mr. AVERETT. Senator Nunn, Senator Fowler, the opportunity today to share with you and many other distinguished Georgians just some of the problems, deep concerns and needs of our rural public schools is indeed a privilege for me. My comments come from my own setting in Washington County and comments from superintendents in Baldwin, Cook, Emanuel, Hancock, Jefferson, McDuffie, and Wilkinson Counties and Trion City School System. Our concerns are many. Our frustrations are overwhelming. Our voices oft-times are drowned out by voices from more affluent areas of our State where the students excel in academics and where home environment creates within the child an appetite for excellence in the school setting. Above all else, though, our commitment to the public schools of our area, of our State, and of this great Nation is unswerving and total. No one should ever doubt that fact. Our job is probably the toughest anywhere and certainly the challenges are just incredible.

Senator FOWLER. Hold on just a minute, Mr. Averett.

Would some of my staff or Senator Nunn's staff ask the people who are still outside there to hold it down a little bit. Chuck. Thank you very much.

Excuse me, Mr. Averett.

Mr. AVERETT. In the opinion of educators, certainly education leaders, public education is the most important business in our rural areas. Our Nation's schools have been at risk and are at risk according to recent studies from the U.S. Department of Education. No one should need tell this distinguished group here today that public education is indeed the cornerstone of our great American democracy. But we do not hear this anymore from our leaders. Instead, we constantly hear what is wrong with our schools with few answers to the tremendous educational questions of our time. Many improvements have come about from some of this criticism.

We in the rural areas need your ear and we need your expertise in assisting us to solve our problems. I want to list for you some of our real concerns, chief among them being a silence concerning what public schools are accomplishing.

We need a President and Senators and Congressmen and Governors and certainly more members of our General Assembly, mayors, county commissioners, city councilmen and editors of all of our newspapers to shout an unrelenting support for our public schools.

You need to be reminded that in communities across the South, particularly in some of our rural areas of this great State, the business community for years has not wholeheartedly supported the public schools. Instead, in some communities, it has lent major support to those local private schools from which few of their employees will come. As national leaders, many have not spoken out and given the total support needed to let the American people know that our schools are alive and well. Senator Nunn and Senator Fowler, I think you are an exception to this feeling. Progress is going to be made in many of our communities because school-community leaders are realizing more than ever that there must be a partnership. Private schools are fine for those parents who desire their children to attend. But as elected officials, you must voice your unequivocal support of our public schools which educate over 90 percent of our children. In addition, without fail where there are weak public officials, those local school districts which have a majority or near majority black population have not had the financial or moral backing of those in leadership positions. Thus support for public education eroded where weak leadership existed.

How many public officials in our Nation, State and local communities would be willing and able to say broadly and loudly that they support the public schools and that their children will attend those schools? All of us who are employed in public education must be ambassadors for our public schools. Even though we recognize a constitutional right to certain freedoms, we simply cannot be those ambassadors for public education if our children attend local private schools that are segregated. A definite conflict of interest exists and school morale among students and peers is damaged. This action on the part of educators certainly raises questions of quality in our public schools in the minds of that public who is deciding between either public or private education for their children.

It certainly appears that the remedial key to all of these chief concerns in our public schools centers around local concerned citizens. In the rural areas of our State where the second Georgia really exists, and particularly where educational deprivation runs rampant, someone at the national and State levels must see that much more moral and financial support is needed to educate those who are so far behind. This need has never been addressed in a full and satisfactory manner.

The local taxpayer must be granted relief from strictly relying on ad valorem taxes to support our public schools. The State must surely see the need for at least a 1 cent raise in our sales tax for continued improvements in our schools. QBE has been good and is good, but even when fully funded there will be a great gap between those systems which have a better tax base than those systems whose tax base is poor. I have contended, too, that one reason that the South has lagged behind other geographical areas in the field of education is that local communities have been unwilling and/or unable to pay their fair share in local taxation. Many of us, I fear,

consider the financing of education as just another giant expenditure rather than a giant investment. A uniform system in property tax assessments must be developed and applied statewide and other funding sources must be found. Financial assistance for the handicapped must be increased at the Federal level.

Minority teacher recruitment is critical. Funds must be provided at the State and Federal level to entice the brightest minority students to come home to our rural areas to teach. At the local level, local industry could provide the same kind of incentives through scholarships for the minority students who excel in school and would want a career in education. As it is now, upon leaving college the brightest minority and majority students as well go into private industry.

The shortage of qualified teachers in our rural schools is depressing. Salary plays an important part here. Even though our current beginning salary schedule is \$17,304.00, in the metro systems around Atlanta, the starting salary is \$20- \$22,000.00. Many rural systems do not have or cannot supplement at the local school level; therefore, prospective teachers decline to even look into areas outside the metro area and some simply will not come to our school districts.

Please continue supporting the free and reduced lunch and breakfast programs because it is vital to our children who cannot pay fully for their meals.

In the Federal programs it is essential that the Chapter programs be expanded, particularly Chapter 1. Those children at risk are those who are below grade level and need additional instructional assistance. More money is needed, not less, in these critical Federal program areas. Guideline changes should also be initiated in the Chapter 1 program to allow for additional administrative costs. In each of these programs there should be built in flexibility for local school districts.

The reduction of college loans and scholarships under this administration has been unfair. Bright students who require financial assistance find it more difficult to receive this and at a time in our history when we need our brightest minds to master the skills of a high-tech society. Obviously not all students should go to college, but neither should only the well-to-do.

You must at the Federal level continue to oppose at all costs the creation of a voucher system and should oppose the tuition tax credit for private schools. This would be extremely detrimental to the public schools in both the rural and urban areas.

Federal funds for programs dealing with the dropout rate is greatly needed. In small systems such as ours we need financial assistance so that we can hire additional personnel to develop and offer an alternative program to students who are potential dropouts.

Until the Federal Government addresses adequately the need of the disadvantaged in such areas as adequate housing, employment, inadequate social services, and job training, the schools will continue to be hard pressed to meet these children's needs. These children, who for whatever reasons, are not adequately housed or do not have the necessities of life, become our children at risk and need additional help with lower pupil-teacher ratios. QBE address-

es this to some degree but with so many programs there is a real need for additional facilities and thus financing.

Another critical area at the state and Federal level is the need for financial assistance for adult literacy. We have not begun to even touch the surface in this area. There must be teachers and adequate facilities at the local level and adequate financial assistance is a must.

Teenage pregnancy is a number one health problem in our area and we need real financial aid and resources in this area to even begin to combat it.

Our brightest minds proportionately come from our public schools. Our leaders by and large will emerge from an educational background received in our public schools. We must be committed more than ever in our history to meet the challenges of the age. Our schools must provide the resources for that challenge. This tremendous responsibility cannot be accomplished unless all community, State, and National leaders stick their necks out and fully support our public schools. It is not enough to criticize. Anyone can criticize, but strategies and solutions must be found. There are no quick fixes to any of these concerns.

The system of public education undoubtedly has its faults. Critiques show that there have been disappointments to people in some and many communities. These complaints include crime and immorality, erosion of purpose, classroom misbehavior, inferior performance, failure to instill patriotic values, teachers with an eye on a paycheck rather than on a vision of the child's life and place in society. Yet, these deficiencies are exposed only in a free society such as ours, and they are really few indeed when compared to the magnificent and overall accomplishments of our public schools. Moreover, many times such reports are exaggerated at best and attempt to discredit public education at the local level.

We feel, Senators Nunn and Fowler, that freedom's cornerstone is the American public school system and that you, through your efforts in Washington and Georgia, can do much to enhance the educational opportunities for the tens of millions of our children in America. Increased financial resources are a must and even though we all feel that our boys and girls are better educated today in our public schools than ever before, we will not be satisfied until all these concerns—and many, many more—are honestly addressed. Thank you.

[The prepared statement of Mr. Averett follows:]

NUNN - FOWLER
RURAL DEVELOPMENT HEARING
MONDAY, JULY 20, 1987
FORT VALLEY STATE COLLEGE
FORT VALLEY, GEORGIA

Senator Nunn:

Senator Fowler:

The opportunity today to share with you and many other distinguished Georgians just some of the problems, deep concerns, and needs of our rural public schools is a privilege for me. My comments come from my own setting in Washington County and comments from superintendents in Baldwin, Cook, Emanuel, Hancock, Jefferson, McDuffie, and Wilkinson Counties and Trion City System. Our concerns are many. Our frustrations are overwhelming. Our voices oftentimes are drowned out by voices from more affluent areas of our state where the students excel in academics and where home environment creates within the child an appetite for excellence in the school setting. Above all else, though, our commitment to the Public Schools of our area, of our state, and of this great nation is unswerving and total. No one should ever doubt that fact. Our job is probably the toughest anywhere and certainly the challenges are just incredible.

Our nation's schools have been at risk and are at risk according to recent studies from the U. S. Department of Education. No one should need tell this distinguished group here today that Public Education is indeed the cornerstone of our great American democracy. But we don't hear this anymore from our leaders. Instead, we constantly hear what's wrong with our schools with few answers to the tremendous educational questions of our time. Many improvements have come about from some of this criticism.

We in the rural areas need your ear and we need your expertise in assisting us in solving our problems. I want to list for you some of our real concerns, chief among them being a silence concerning what public schools are accomplishing.

We need a President, Senators, Congressmen, Governors, more members of the General Assembly, mayors, county commissioners, city councilmen, and editors of all our newspapers to shout an unrelenting

support for our Public Schools.

You need to be reminded that in communities across the South, particularly in some of our rural areas of this great state, the business community for years has not wholeheartedly supported the Public Schools. Instead, in some communities, it has lent major support to those local private schools from which few of their employees will come. As national leaders, many have not spoken out and given the total support needed to let the American people know that our schools are alive and well. Senator Nunn and Senator Fowler, you are an exception to this feeling. Progress is going to be made in many of our communities because school-community leaders are realizing more than ever that there must be a partnership. Private schools are fine for those parents who desire their children to attend. But as elected public officials, you must voice your unequivocal support of our Public Schools which educate over 90 per cent of our children. In addition, without fail where there are weak public officials, those local school districts which have majority or near majority black populations have not had the financial or moral backing of those in leadership positions. Thus support for Public Education eroded where weak leadership existed.

How many public officials in our nation, state, and local communities would be willing and able to say broadly and loudly that they support the Public Schools and that their children will attend those schools? All of us who are employed in public education must be ambassadors for our Public Schools. Even though we recognize a constitutional right to certain freedoms, we simply cannot be those ambassadors for public education if our children attend local private schools that are segregated. A definite conflict of interest exists and school morale among students and peers is damaged. This action on the part of educators certainly raises questions of quality in our schools in the minds of that public who is deciding between either public or private education for their children.

It certainly appears that the remedial key to all of these chief concerns in our Public Schools centers around local concerned citizens. In the rural areas of our state where the 2d Georgias truly

exist, and particularly where educational deprivation runs rampant, someone at the national and state levels must see that much more moral and financial support is needed to educate those who are so far behind. This need has never been addressed in a full, satisfactory manner.

The local taxpayer must be granted relief from strictly relying on ad valorem taxes to support our schools. The state must surely see the need for at least a one-cent raise in our sales tax for continued improvements in our schools. QBE has been good, but even when fully funded there will be a great gap between those systems which have a better tax base than those systems whose tax base is poor. I have contended, too, that one reason that the South has lagged behind other geographical areas in the field of education is that local communities have been unwilling and/or unable to pay their fair share in local taxation. Many of us, I fear, consider the financing of education as just another giant expenditure rather than a giant investment. A uniform system in property tax assessments must be developed and applied statewide and other funding sources must be found. Financial assistance for the handicapped must be increased at the Federal level.

Minority teacher recruitment is critical. Funds must be provided at the state and federal level to entice the brightest minority students to come home to our rural areas to teach. At the local level, local industry could provide the same kind of incentives through scholarships for the minority students who excel in school and would want a career in education. As it is now, upon leaving college the brightest minority students go into private industry.

The shortage of qualified teachers in our rural schools is depressing. Salary plays an important part here. Even though our current beginning salary schedule is \$17,304.00, in the metro systems around Atlanta, the starting salary is \$20-22,000. Many rural systems do not or cannot supplement at the local system level; therefore, prospective teachers decline to even look into areas outside the metro area. Some simply will not come to our school district.

Please continue supporting the "free and reduced" breakfast

and lunch programs because it is vital to our children who cannot pay fully for their meals.

In the federal programs it is essential that the Chapter programs be expanded, particularly in Chapter I. Those children "at risk" are those who are below grade level and need additional instructional assistance. More money is needed and not less in these critical federal programs. Guideline changes should also be initiated in the Chapter I program to allow for additional administrative costs. In each of these programs there should be built-in flexibility for local school districts.

The reduction of college loans and scholarships under this administration has been unfair. Bright students who require financial assistance find it more difficult to receive this and at a time in our history when we need our brightest minds to master the skills of a high tech society. Obviously, not all students should go to college, but neither should only the well-to-do.

You must at the federal level continue to oppose at all costs the creation of a voucher system and should oppose the tuition tax credit for private schools. This would be extremely detrimental to the public schools in rural and urban areas.

Federal funds for programs dealing with the drop-out rate is greatly needed. In small systems such as ours, we need financial assistance so that we can hire additional personnel to develop and offer an alternative program to students who are potential dropouts.

Until the federal government addresses adequately the need of the disadvantaged in such areas as adequate housing, employment, inadequate social services, and job training, the schools will continue to be hard pressed to meet these children's needs. These children, who for whatever reasons are not adequately housed or do not have the necessities of life, become our children "at risk" and need additional help with lower pupil-teacher ratios. QBE addresses this to some degree but with so many programs there is a real need for additional facilities.

Another critical area at the state and federal level is the need for financial assistance for adult literacy. We have not begun

to even touch the surface in this area. There must be teachers and adequate facilities at the local level and adequate financial assistance is a must.

Teenage pregnancy is a number one health problem in our area, and we need real financial aid and resources in this area to even begin to combat it.

Our brightest minds proportionately come from our Public Schools. Our leaders by and large will emerge from an educational background received in our Public Schools. We must be committed more than ever in our history to meet the challenges of the age. Our schools must provide the resources for that challenge. This tremendous responsibility cannot be accomplished unless all community, state, and national leaders "stick their necks out" and fully support our Public Schools. It is not enough to criticize. Anyone can criticize, but strategies and solutions must be found. There are no quick fixes to any of these concerns.

The system of public education undoubtedly has its faults. Critiques show there have been disappointments to people in some communities. These complaints include crime and immorality, erosion of purpose, classroom misbehavior, inferior performance, failure to instill patriotic values, teachers with an eye on a paycheck rather than on a vision of the child's life and place in society. Yet, these deficiencies are exposed only in a free society such as ours, and they are really few indeed when compared to the magnificent and overall accomplishments of our Public Schools. Moreover, many times such reports are exaggerated at best and attempt to discredit public education at the local level.

We feel, Senators Nunn and Fowler, that "Freedom's Cornerstone" is the American public school system and that you, through your efforts in Washington and Georgia can do much to enhance the educational opportunities for the tens of millions of our children in America today. Increased financial resources are a must, and even though we all feel that our boys and girls are better educated today in our Public Schools than ever before, we will not be satisfied until all of these concerns and many, many others are honestly addressed.

E. Tarver Averett, Jr., Superintendent
Washington County, Georgia

Senator FOWLER. Thank you, Tarver, for that excellent presentation.

Ladies and gentlemen of the panel, I must ask you to try to summarize to the best of your ability. We will certainly put the entire statement in the record. This is not the Iran-Contra hearings, we do not have fancy New York lawyers to ask the questions for us. And Senator Nunn and I are dying to get into the discussion, but only if you will summarize and try to make your presentations 7 or 8 minutes will we have plenty of time to discuss amongst ourselves.

Next is Dr. James Hotz from Albany. Dr. Hotz is a medical doctor specializing in internal medicine. He is in charge of the primary health care facilities in Baker and Lee Counties and I know he travels to several adjacent rural, economically distressed counties around Albany, providing medical service to those areas. I have been very pleased when he has testified before in one of our Agricultural hearings and we welcome you back, Dr. Hotz.

**STATEMENT OF DR. JAMES A. HOTZ, MEDICAL DIRECTOR,
ALBANY AREA PRIMARY HEALTH CARE, INC., ALBANY, GA**

Dr. Hotz. Thank you, Senators Nunn and Fowler.

My presentation will be in three parts today; a brief history of Albany Area Primary Health Care and my involvement to illustrate my perspective as a rural community health center physician, a description of the medical problems now facing our rural families and a description of two successful Federal programs that address health needs of rural families.

Ten years ago a crisis led to the formation of the Albany Area Primary Health Care group. There were no physicians in Baker County, rural Lee County or in east Albany. Community leaders from the three sites united to form a three-county health network under a combined urban and rural health initiative. Albany State College, through representation from its nursing school, helped coordinate activities and write the initial planning grant. Miriam Worthy of Albany State's nursing program is the current president of our Board of Directors.

At the same time I was finishing my training, I volunteered to join the National Health Service Corps, and come to Albany and serve as the first medical director.

We saw our first patient in February 1979 and now I have offices in the three sites. Prior to establishing our practices, there had been no physician in Leesburg for 30 years, none ever in east Albany and none in Newton in over 40 years. Now we have 10 physicians, four physician assistants, a dentist and a mental health counselor. There are over 60,000 patient visits a year and have seen over 25,000 different patients since we started our practice nearly 9 years ago.

What started out as a 2-year fling for me has now become a career.

What are the medical problems of today's rural families? As the delicate fabric of the rural society with each farm foreclosure, there is a concomitant elevation in stress, apathy and despair. Unlike Albany, where there are 120 social agencies comprising the safety net to catch the Firestone workers when their plant closed

recently, there are only a handful of social agencies in Baker County. It does not even have its own ambulance service. When the Firestone worker loses his job, the plant is closed by someone in Akron, the worker rarely feels he has personally failed. The farmer who loses his farm loses his job and his life. He feels he has failed not only himself, but his ancestors who gave him the land and his children who will never inherit the land. There are numerous examples in my practice of how the farm crisis affects health care. I would like to cite just three.

A 62 year old black male who lost his farm and started drinking heavily for the first time. He ended up on the emergency room after a fall where he struck his head. He almost died with a blood clot on his brain. In losing his farm he almost lost his life.

A 57 year old white male who has diabetes, hypertension and an elevated cholesterol. He is over a quarter of million dollars in debt and experiences wide swings in control of his medical problems. When asked why he does not try to control his medical concerns, he says he is not that interested in living longer. When asked why he does not just get off the farm and find a new career, he says, "I'm like an alcoholic. My farm is my bottle. I know I'm not going to succeed, but I am hooked. For a brief time each morning when I wake up, I really think I have a chance."

We have a 3 year old who died in Baker County who aspirated a small object into the lung. There was no emergency service available and in the 20 minutes it took to get the child to the emergency room, the child died.

Despair and apathy are so dangerous because the diseases that kill our patients today in Baker County are diseases that are preventable. They require regular primary medical care and lifestyle changes. A review of deaths in the past year revealed 44 percent died of cardiovascular disease, 20 percent died of cancer, 20 percent from accidents and 10 percent from chronic lung disease; pneumonia and influenza. In total, 94 percent of all deaths were amenable to early detection and prevention.

There should be no doubt that there are problems of health in rural Georgia. Georgia ranks 47th in the Nation in infant mortality. It is a sad commentary to realize that a black child born in rural Georgia is less likely to see his or her first birthday than one born in Trinidad.

There should be no doubt that rural Georgia is poor, 53 percent of the patients seen in our office are below 100 percent poverty level and 72 percent are below 200 percent. This past year alone, \$60,000 worth of indigent care was delivered through our community health center in Baker County. Due to the high rate of poverty and the poor economic status, a young doctor like myself could not afford to practice in Baker County.

There have been two programs that have been successful in addressing the health needs of rural families.

The first one I would like to address is the community health center programs which allows our organization to deliver excellent primary health care services to one of the poorest counties in Georgia.

Nationwide, community health centers have been shown to be effective. They save lives and save money. There are studies that doc-

ument decreased hospitalization rates of up to 70 percent and decreased infant mortality up to 40 percent. Centers have decreased Medicaid payments to individuals as much as 40 percent. The program has been so successful that even in the current administration in the height of budget trimming through the Gramm-Rudman Act, this program is one of the four that were given special exemptions, receiving only a 2 percent reduction in budget. Although the cut was small, it occurred at a time in which the number of uninsured in rural areas was increasing dramatically.

A study by Max Summers, executive director of the Midwest Rural Health Association, substantiates our experience in Baker County of the increasing demands for subsidized health care. He describes, and I quote:

It would appear that the only way that these and other farm communities are going to have any type of quality health care is through some form of public assistance.

He cites the fact that indigent care in 1986 rose 140 percent in the midwest.

A second program that has been extremely successful in rural areas is the National Health Service Corps. At the present time over 3000 physicians are in underserved areas throughout the Country and have been placed through the National Health Service Corps; 602 are in the southeast United States and 95 in Georgia.

Despite the fact that throughout the Country the doctor-patient ratio has dropped from one to 750 in 1980 to one in 585 in 1985. In towns less than 10,000, the doctor-patient ratio is still less than one to 3,000 and actually has worsened over the past 5 years. In Georgia alone, there are ten counties without a physician. There are one third as many physicians per population ratio in rural areas as in urban areas, 221 versus 78.

And Senator Nunn, you will be interested in knowing, just in case he ends up in March of this year as we all hope in Iowa, the Iowa Medical Association Journal published the fact that there will be only 4,090 doctors in Iowa in 1990, that's 1,626 short of the need.

The recruiting of skilled professionals to rural areas is always difficult and the challenge in the next decade is to reverse the detrimental effect that came about after the GMENAC report, that is Graduate Medical Education National Advisory Committee that said there would be a glut of physicians of 62,000 by 1990. The conclusion of this report was that physicians would diffuse out by economic pressures to rural areas. But the trickle down theory just does not work.

Robert Vanhook, executive director of the Rural Health Care Association summarizes the situation when he states, "while there is undoubtedly a surplus of doctors country wide, the so-called doctor glut is missing from most of rural America."

The solution to this problem would be continuing efforts to provide incentives to physicians to distribute to rural areas. The most successful program was the National Health Service Corps, which has placed over 8,000 physicians in health manpower shortage areas since its inception. This program in essence ends this year unless efforts are made to revitalize it. But financial incentives for

distribution of physicians and federal indigent care dollars are not enough.

The first step in improving the health status of our farm families is to unite the rural communities and develop rural health service networks. This process can take any form from loose referral affiliations to regional corporations like my organization, the Albany Area Primary Care. We should seek to include all sectors of rural life—health care providers, local government, Federal agencies, businesses, consumers, social groups, and third party purchasers of services. Only by such a network will rural areas be able to secure manpower and monies in the increasingly competitive medical marketplace.

Programs like the one we are participating in today demonstrate that our two Senators here are sensitive to and aware of the need to develop these networks. They deserve our appreciation for their commitment to the rural way of life we cherish so much.

Thank you.

[The prepared statement of Dr. Hotz follows:]

STATEMENT OF MR. HOTZ

July 16, 1987

Honorable Senators:

I am intimidated by the task before me this morning; to explain the medical needs of my patients, the farm families of Baker County. The needs are enormous and complex and reflect national trends in rural medicine.

My presentation will be in three parts:

1. A brief history of Albany Area Primary Health Care and my involvement to illustrate my perspective as a rural community health center physician.
2. A description of the medical problems facing rural families.
3. A description of two successful Federal programs that address health needs of rural families and an analysis of steps that need to be taken immediately to correct current adverse rural health trends.

1. History of Albany Area Primary Health Care, Inc.

A crisis led to the formation of Albany Area Primary Health Care 10 years ago. There were no physicians in rural Baker County, rural Lee County, or in East Albany. Community leaders from the three sites united to form a three-county health network under a combined urban and rural health initiative. Albany State College, through representatives from its nursing school, helped coordinate activities and write the initial planning grant. Dr. Billy Black, President of Albany State College, is still very active as Vice President of the Board of Directors. Mirian Worthy of Albany State's nursing program is President of the Board of Directors.

At the same time I was finishing my internal medicine residency at Emory University in Atlanta, and I wanted to work two to three years in an underserved, rural area. I volunteered to join the National Health Service Corps, and I was assigned to Albany Area Primary Health Care as its first medical director.

This was an eye-opening experience for a "Yankee boy" from Ohio, but after the culture shock wore off, I fell in love with the people. They are honest and hard-working - the building blocks of our country. A health network was built based on accessible, quality, primary health care services for all. A community board tailors the medical program to meet local health needs.

I saw the first patient in February of 1979, and I now have offices in Leesburg, Newton, and in East Albany. Prior to establishing our practices, there had been no physician in Leesburg in over 30 years, none ever in East Albany, and none in Newton in over 40 years. Now there are 10 physicians, 4 physician assistants, a dentist, and a mental health counselor in these areas. There are over 60,000 patient visits a year, and approximately 10,000 active patients. Over 25,000 different people have received services from our program in the past 8 years.

The office in Newton is a unique facility since it is the only primary health care center in our part of the country that has a health department, mental health program, and primary care center housed in the same building. This building was constructed from a grant from Robert Woodruff, who has a plantation in Baker County.

What started out as a two-year fling has now become a career for me.

2. What are the medical problems of today's rural family?

After caring for patients in inner-city Albany and rural Baker County, what impresses me most is how much more the health status has deteriorated in the rural area as compared with the urban area over the past nine years. As the delicate fabric of the rural society unravels with each farm foreclosure, there is a concomitant elevation in stress, apathy, and despair. Unlike Albany, where there are 120 social agencies comprising the safety net to catch the Firestone workers when their plant closed recently, there are only a handful of social agencies in Baker County. Albany has agencies ranging from Alcoholics Anonymous to the Salvation Army; Baker County has the health department, the Department of Family and Children Services, our community health center, and its churches. It does not even have its own ambulance service. When the Firestone worker loses his job, the plant is closed by someone in Akron, and the worker rarely feels he has personally failed. The farmer who loses his farm loses his job and his life. He feels he has failed not only himself, but his ancestors who gave him the land and his children who will never inherit this land. Despair and apathy invades the community. With each farm that falters, the rest of the farm families become more preoccupied with the business of the farm than with their families and their health. The following are five examples to illustrate my point, and unfortunately, represent a small portion of my patients who are currently affected by the farm crisis.

- a. A 62 year old black male who lost his farm and started drinking heavily for the first time. In the midst of a two-week alcoholic binge, he struck his head and presented to the emergency room unconscious and with what appeared to be a stroke. Subsequent workup revealed that he had a subdural hematoma, a large clot in his brain, and this required emergency surgery. He almost lost his life after losing his farm.
- b. A 57 year old white male who has diabetes, hypertension, and an elevated cholesterol. He is over \$250,000 in debt and experiences wide swings in control of his medical problems. When asked why he does not try to control his medical problems better, he says he has no interest because it would only make him live longer. When asked why he does not file for bankruptcy and begin a new career, he claims, "I'm like an alcoholic. My farm is my bottle. I know I'm not going to succeed, but I am hooked. For a brief time each morning when I wake up I really think I have a chance."

- c. A 42 year old white male lost his farm and now he cannot sleep. He has headaches and dizziness. His wife has stomach pains, headaches and dizziness. His children are experiencing behavioral problems at home and in school. They have no money to pay for health care. They are currently seen at our community health center and pay on a sliding scale for their services.
- d. A 68 year old white male with hypertension, obesity, and severe degenerative joint disease. He needs to lose weight, his blood pressure is poorly controlled, his joints are breaking down. Asked why he does not diet, he says, "I eat when I'm anxious, now I'm eating all the time."
- e. A 3 year old who aspirated a small object into the lung. The family called the ambulance service, but there was none available in Baker County. The family took the child to the emergency room, and in the 20 minutes it took to get the child to the emergency room, the child died.

Despair and apathy are so dangerous because the diseases that kill our patients today in Baker County are diseases that are best treated by changes in lifestyle. Unfortunately, if someone does not care if he lives, he does not follow a diet, take pills, or stop smoking.

Last year we reviewed the cause of death for all patients in our practice and in Baker County. This revealed that 44% of patients died from cardiovascular disease, either strokes or heart attacks. These conditions can be prevented or postponed by careful control of cholesterol, control of blood pressure through medicines and following a diet, by stopping smoking, and by reduction of stress. All of these are very difficult for a farmer who is under substantial daily stress to follow.

20% of patients died from cancer. Cancer prevention requires regular checkups as recommended by the American Cancer Society. 80% of cancers can be detected early or prevented, but this brings up the need for regular access to the health care system, enough funds to receive care, and motivation enough to seek the care. Once again, in a financially stressed farm family the concern for health becomes a low priority.

20% of patients died last year from accidents, with half of these being auto accidents and half occurring on the farm or in the home. Auto accidents could be significantly reduced by using seatbelts and avoiding alcohol while driving. In addition, when accidents do occur prompt emergency services are the best way to guarantee survival. As mentioned earlier, there are no ambulance services now available in Baker County due to lack of county funds.

Another 10% died from chronic lung disease, pneumonia, and influenza. These are best avoided by stopping smoking. Unfortunately, in times of stress, there is little motivation for stopping smoking.

In total, 94% of all deaths were amenable to early detection or prevention.

Other indications about the poor status of health are the fact that the infant mortality rates for Blacks in Southwest Georgia is 19.5% and is 13.4% overall. Georgia ranks 47th in the country. It is a sad commentary to realize that a Black child born in Baker County is less likely to see his or her first birthday than one born in Trinidad.

Other barriers that make it difficult for the farm families to receive health care are poverty and poor transportation.

A review of the socioeconomic status of Baker County and Southwest Georgia reveals that 27.4% of the residents in Baker County are below poverty level, versus 12.2% of the population of the United States as a whole, 65% above 18 years of age have not finished high school, 53% of patients seen in our office are below 100% poverty level and 72% are below 200% poverty level. This past year alone, over \$60,000 worth of indigent health care was delivered through the community health center program in Baker County. This is exclusive of the Medicaid and Medicare write-offs. Because of the high rate of poverty, without a community health center that takes care of people regardless of ability to pay, many patients would not receive emergency or preventive health care services. Due to the high rate of poverty and the poor economic status, a young doctor like myself could not afford to practice in Baker County.

3. Two successful programs that address the current health needs of rural families.

The presentation so far has been rather bleak, but I believe there is hope. There are two very good federal programs that have been meeting the needs of our suffering farm families in Georgia.

The first one I'd like to address is the community health center program. This program is why I am still able to practice in Baker County. It allows our organization to deliver excellent primary health care services to one of the poorest counties in Georgia.

Nationwide, community health centers have been shown to be very effective. There are studies that document decreased hospitalization rates of 20-70%, and decreased infant mortality rates up to 40%. Centers have decreased Medicaid payments to individuals as much as 40%. Currently, there are 600 community health centers nationwide, and they received only \$400 million in funds to take care of over 7 million patients. The program has been so successful that even the current administration, in the height of budget trimming through the Graham-Rudman Act, made this program one of four that were given special exemptions receiving only a 2% reduction in budget. Although the cut was small, it occurred at a time in which the number of uninsured in rural areas was increasing dramatically.

A study by Max Summers, Executive Director of the Midwest Rural Health Association, substantiates our experience in Baker County of increasing demands for subsidized health care. He describes the plight of the rural community as follows:

"It would appear that the only way that these and other farm communities are going to have any type of quality health care is through some form of public assistance. In clinics selected in this survey the need for funding of sliding fee scale patients (below the poverty level) went up 83.19% in 1986, by patient volume and 140% by dollar value."

In Southeastern United States, the poorest and most heavily hit by the recent farm crisis there are \$111 million in funds allotted through the community health center program with 58% of these funds or \$64,418,642 going to rural areas. By law, the community health centers must see people regardless of financial status. The programs emphasize preventive services, and I hasten to remind you that 94% of all deaths in Baker County can be influenced by preventive health care.

The second program that has been extremely successful is the National Health Service Corps. This is the only way in which we could staff our community health centers. All of our physicians have come through the National Health Service Corps, and currently two-thirds of all physicians serving in community health centers come from the National Health Service Corps. At the present time, the 3,000 physicians in underserved areas throughout the country have been placed through the National Health Service Corps; 603 of these are in rural Southeast United States with 95 in Georgia in 45 different communities.

Despite the fact that throughout the country the doctor per patient ratio has dropped from 1 to 750 in 1980 to 1 to 500 in 1985, in towns of less than 10,000, the doctor per patient ratio is still less than 1 to 3,000, and actually has worsened over the past five years. As the economy worsens in the rural areas, doctors are less inclined to move there. The current crisis in community health centers is that from a high of 3,000 NHSC scholarship people entering obligations in 1981, this number will fall to 300 this year; and unless the program is revitalized, a number of the rural areas in Georgia will lose their physicians. Included in this list are our programs in rural Lee and Baker Counties and many other rural centers as well in Georgia. Like ours, many clinics provide the only physician in their town or county.

The recruiting of skilled professionals to rural areas is always difficult and unless programs are instituted, there will be no improvement in the current health manpower maldistribution in rural areas. The challenge of the next decade is to reverse the detrimental effects that came about after the GMENAC (Graduate Medical Education National Advisory Committee) report of September, 1980, predicting a physician glut of 620,750 by 1990. It was the conclusion of this group that physicians would diffuse by economic pressures to rural and economically deprived areas. Because of this, a number of decisions were made including the dismantling of the National Health Service Corps, decrease in the efforts

to enlarge medical school classes and decrease in federal and state subsidized programs to distribute physicians. This re-distribution is not working as is pointed out in the National Association of Community Health Centers publication of March, 1987, showing that despite the doubling of physicians in the past decade, there are still 3,252 designated health manpower service shortage areas (there are areas that have doctor to population ratios of less than 1 to 3,500). There would need to be 8,000 physicians to fill these areas just to bring ratios to 1 to 3,000 which is still 5 times the national average.

In Georgia, there are still 10 counties not having physicians according to the Rural Georgia County Guide of 1986.

A study published in the Journal of Rural Health in January, 1986, showed that in the U.S. as a whole there were 185 doctors per 100,000 population, in metro areas there were 221 doctors and in rural areas only 92.6 doctors. In South Georgia, there were 144 doctors per 100,000 in metro areas and only 78 per 100,000 in rural areas. It is not surprising that this same article demonstrated that the infant mortality rate in the U.S. as a whole was 12.6 per 1,000 live births and in South Georgia 17.1 per 1,000 live births.

Lest we be misled that this problem is only in Georgia. The Journal of the Iowa Medical Association, in June, 1987, demonstrated that in 1985, for the first time in 10 years more physicians left rural areas than entered them. They estimated that by 1990, there would be 4,090 doctors practicing in the state. This would be 1,626 fewer than estimated need with the greatest shortage predicted in the rural areas.

Robert T. Vanhook, Executive Director of the Rural Health Care Association, summarizes the situation quite well when he states, "while there is undoubtedly a surplus of doctors country wide, the so-called doctor glut is missing most of rural America."

The solution to this problem would be continuing efforts to provide incentive for physicians to distribute to rural areas. The most successful program was the National Health Service Corps, which has placed over 8,000 physicians in health manpower shortage areas since its inception. This program in essence, ends in the coming year unless efforts are made to revitalize it. There is a proposed loan payback program that would be extremely effective in that it is to be targeted at residents in primary care subspecialties who are in their final year of training and who could be immediately available for service in the next year to rural areas. These residents typically carry a loan burden of \$25,000 to \$50,000, and this proposed system would payback these loans for service in rural or economically depressed areas. But financial incentives for distribution of physicians and federal indigent care dollars are not enough.

The first step in improving the health status of our farm families is to unite the rural communities and develop rural service networks. This process can take any form from loose referral agreements to contracts for services or regional corporations like my organization, Albany Area Primary Health Care, Inc. We should seek to include all sectors of rural life - health care providers, local government, federal agencies, businesses, consumers, social groups, and third party purchasers of service. Only by such networks will rural areas be able to secure manpower and monies in the increasingly competitive medical marketplace.

Programs like the one we are participating in today demonstrate that our senators are sensitive to and aware of the need to develop these networks. They deserve our appreciation for their commitment to the rural way of life we cherish.

Senator FOWLER. Thank you, Dr. Hotz. That is frightening but unfortunately accurate statistics on how much the health crisis and the need for primary health care plays in the overall problems that we see in rural Georgia and what can be done about it.

Let us go to our lady next. The Mayor of Ellaville, GA, Jeanette Peede, known for her fine quality of her public commitment and also for her outspokenness on behalf of rural Georgia and the quality of life that we all can enjoy here if we make the right decisions.

Mayor Peede, thank you for joining us.

**STATEMENT OF MAYOR JEANETTE H. PEEDE, MAYOR, CITY OF
ELLAVILLE, GA**

Mayor PEEDE. Thank you, Senator Fowler, Senator Nunn, and the other elected officials.

When John Pope from Senator Nunn's office asked me to participate in this program he was somewhat apologetic, saying that not many mayors were willing to discuss the problems of their area. They somehow felt that it was degrading or detrimental to their cities.

My opinion though is different; admitting our problems, analyzing the causes and searching for possible cures is to me a much better solution than refusing to say there is a problem. It is sort of like alcoholism; until the patient admits that he has a problem, there is no cure.

In preparing for today, I talked with many persons, both in and out of municipal government. The following are some of the major needs and problem areas, divided into groupings by degree of necessity to obtain or maintain a healthy, happy, affordable quality life for those of us in rural Georgia:

First, the need for adequate amounts of safe water for drinking and personal uses, as well as for agricultural, business and developmental uses.

Next, affordable power, whether electric, coal, whatever for the same reasons as those mentioned above.

Waste management and disposal, particularly hazardous wastes, is an absolute necessity, as are landfills and other sanitation needs.

Health care facilities, including doctors, nurses, clinics and hospitals are very limited in most of our rural areas.

Decent, affordable, safe housing is also limited.

Day care facilities for children and youth, for the disabled and the elderly are also inadequate.

To me, the above needs are absolutely vital for life itself, but are not readily available all of the time to the poorest of us.

The second category of needs or problems include safe and protected roads and streets, as well as developmental highways into and out of our small towns. Without adequate transportation facilities, all growth is stifled. Perhaps the greatest shortfall in many rural areas are the schools and libraries. Lack of adequate kindergarten and early childhood education facilities, as well as elementary, secondary and post-secondary training for our youth and adults is a problem that is difficult, if not impossible, to overcome in many rural areas.

Law enforcement personnel is sadly lacking in many areas. Many small towns have the service of a county sheriff and maybe a police chief. This is the entire force. Is it any wonder then that alcohol and drug users and abusers seek out these areas?

Recreation facilities are often non-existent in many rural areas. Many children have reached maturity without ever visiting a park or a zoo or swimming in a pool or playing tennis. The human body was not endowed with perpetual motion. Relaxation and recreation are vital to the body and to the spirit of man. Too frequently these are lacking. Now in the last category of needs and/or problems, we can find such things as financing for these earlier mentioned needs. Revenue sharing and most government grants have gone with the wind. Loans from Farmers' Home Administration are now less readily available, some say because these funds are not necessarily available only to rural and farm areas exclusively, as one might imagine from the name of the agency itself, but are just as available in larger places and metro areas and businesses. More sources of revenue are necessary if progress is to be realized.

The labor force and unemployment are concerns of ours. Perhaps we should dichotomize these, but in reality it is truly one problem. Although unemployment rates are high in most rural areas, the labor force of skilled, competent workers to meet today's mobile, mechanized, computerized, data based society is generally not available to these unemployed.

Churches, shopping centers, restaurants, and entertainment facilities are as essential to the progress and health of a rural area as any category of need. These will attract the groups just mentioned; that is, the labor force.

Land and buildings for economic development. If a small city has not or cannot prepare for economic development by having sites available, equipped with necessary facilities, they will surely be bypassed as growth arrives.

Hand-in-glove with economic development, there are zoning and land use laws that are essential. Without planning, without objectives and goal setting, with any growth at all, a small city will soon box itself in and future growth will become next to impossible.

And finally, an absolute necessity for a small rural area are elected officials who are cooperative, energetic, enthusiastic, trained, pro-business and willing to help themselves, such as Americus, Georgia is doing with its old historic Windsor Hotel.

If you do not have these, then small cities have a handicap that they cannot readily overcome.

Now I cannot stop without telling you briefly how my town, the City of Ellaville in Schley County, has overcome some of these very problems.

First, we are located almost 50 miles equidistant from Albany, Columbus, Thomaston, and Macon. So now that you know where we are, I want to tell you a few of the things that Ellaville and Schley County have done.

First of all, we are growing, mainly because we have an abundance of cheap electric power through our MEAG system. We are one of only 47 cities in the State of Georgia so lucky.

We have a water and sewer system adequate to accommodate almost any size industry. This month we are completing a million

and a half dollar water and sewer system expansion and addition through a Farmers Home loan and grant combination.

Schley County has a new county landfill that is now projected to last 50 to 100 years.

With our special options sales tax, the county is in the process of building a new safety building for the jail, our EMTs and firefighters. In addition to that, the county has received a CDBG grant for building a new health and human services building.

We have an elementary school in Schley County unequalled in this area, being nominated for the Award of Excellence among elementary schools.

We have a large industrial tract available and begging for developers.

We have one of the lowest unemployment rates in this area.

We have one of the highest numbers of college graduates per capita of any city in our area.

We have current zoning and building codes that were implemented the first of this year.

We have one of the most favorable city and county tax structures in the State.

We have a regional hospital and 4 year college and South Georgia Technical Institute within 15 miles of us in Americus, GA.

And among other attributes, we have a group of as energetic, dedicated, enthusiastic, pro-business city and county elected officials as you will find in the State of Georgia.

Come to see us.

[The prepared statement of Mayor Peede follows:]

FORT VALLEY STATE COLLEGE

MONDAY, JULY, 20, 1987

RURAL LIFE IN GEORGIA

Jeanette H. Peede
Mayor, City of Ellaville
Ellaville, Georgia

Municipal Representative

When John Pope asked me to participate in this program he was somewhat apologetic, saying many Mayors were reluctant to discuss the problems of their area. They seem to feel that it is degrading to their city.

My opinion is different - admitting the problem, analyzing the causes, searching for a possible cure is to me a much better solution than refusing to say there is a problem. It's sort of like alcoholism - as long as the patient refuses to acknowledge the problem, then there is no cure.

In preparing for today, I've talked with many persons - both in and out of municipal government. The following are the MAJOR needs and problem areas, divided into grouping by degree of need to obtain or maintain a healthy, happy, affordable quality life for those of us in Rural Georgia:

- 1- First, the need for adequate amounts of SAFE water for drinking and personal uses, as well as for agricultural, business and developmental uses.
- 2- Next, affordable, available electric power for the same purpose as named for water.
- 3- Waste management and disposal, particularly hazardous wastes, is of absolute necessity, as are landfills and other sanitation needs.
- 4- Health care facilities, including doctors, nurses, clinics and hospitals are limited in rural areas.
- 5- Decent, affordable, safe housing is also a limited item.
- 6- Day care Facilities for children and youth, the disabled and the elderly are inadequate.

To me, these are absolutely vital for life itself, but are not readily available all of the time to the poorest of us.

The second category of needs or problems include:

- 1- Safe and protected roads and streets, as well as developmental highways into and out of our small towns. Without adequate transportation facilities

growth is stifled.

- 2- Perhaps the greatest short fall in many rural areas are the schools and libraries. Lack of adequate kindergarten and early childhood education facilities, as well as elementary, secondary and post secondary training for youth and adults is a problem difficult, if not impossible, to overcome in many rural areas.
- 3- Law enforcement personnel is sadly lacking in many areas. Many areas have the service of a County Sheriff and a Police Chief. This is the entire force. Is it any wonder that alcohol and drug users and abusers seek out these areas?
- 4- Recreation facilities are often non-existent in rural areas. Many children have reached maturity without ever visiting a park, or a zoo, or going swimming in a pool, or playing tennis. The human body was not endowed with perpetual motion. Relaxation and re-creation are vital to the body and to the spirit of man. Too frequently these are lacking.

Now, in the last category of needs and/or problems, can be found such needs as:

- 1- Financing for the earlier mentioned needs. Revenue Sharing and most government grants have "Gone With the Wind". Loans from Farmers' Home Administration are now less readily available, some say because these funds are not necessarily available to farm and rural areas exclusively, as one might imagine from the name of the agency, but are just as available to metropolitan businesses and areas. More sources of revenues are necessary if progress is to be realized.
- 2- Labor force and unemployment. Perhaps we should dichotomize these, but in reality it is truly one problem. Although unemployment rates are high in most rural areas, the labor force of skilled, competent workers to meet today's mobile, mechanized, computerized, data based environment is generally not available from among these.
- 3- Churches, shopping centers, restaurants and entertainment facilities are as essential to health and progress of a rural area as any category of need. These attract the groups just named, i e, the labor force.
- 4- Land and buildings for development. If a small city has not, or cannot, prepare for economic development by having sites available, equipped with necessary utilities, etc. they will surely be by-passed in the growth activities.

- 5- Hand in glove with development, zoning and land use laws are essential. Without planning, objectives, and goal setting, with any growth at all, a small city will soon box itself in and future growth is very difficult.
- 6- And finally, an absolute necessity for a small rural area are elected officials who are cooperative, energetic, enthusiastic, trained and pro-business. Without these, a small city has a handicap it cannot overcome.

Now, I cannot leave without telling you briefly how MY TOWN, the City of Ellaville, in Schley County, has overcome some of these very problems.

First, we're located almost 50 miles equidistant from Albany, Columbus, Thomaston and Macon. So now that you know where we are, I want to let you know:

- 1- We have an ABUNDANCE of cheap electric power through our MEAG system, one of only 47 cities in Georgia so lucky.
 - 2- A Water and Sewer System adequate to accommodate almost any size industry. A \$1½ Million expansion completed this month.
 - 3- A new county landfill in Schley County projected to last 50-100 years.
 - 4- An elementary school unequalled in this area, being nominated for the Award of Excellence among elementary schools.
 - 5- A 150 Acre industrial tract begging for developers.
 - 6- One of the lowest unemployment rates in the state.
 - 7- One of the highest numbers of college graduates per capita of any city in the area.
 - 8- Current Zoning Laws and Building Codes.
 - 9- One of the most favorable City and County tax structures in the state.
 - 10- A regional hospital 15 minutes away in Americus.
- and, among other attributes, a group of energetic, enthusiastic elected officials in the entire State of Georgia!

Come to See Us.

Senator FOWLER. We will not charge extra for that endorsement. Glad to hear a fine success story, thank you, Mayor Peede.

Next we have the Reverend Don Leiter, executive director of Georgia Christian Council.

Reverend Leiter.

**STATEMENT OF REV. DON LEITER, EXECUTIVE DIRECTOR,
GEORGIA CHRISTIAN COUNCIL, MACON, GA**

Reverend LEITER. Senator Nunn, Senator Fowler, on behalf of the religious community of Georgia, I express our appreciation for including a spokesperson in your hearing on rural development. We have a great concern for economic development of our rural communities based upon the foundation of the biblical record, religious faith expressions and developing values within the community that support personal growth, family life, and community relationships.

Three years ago the Georgia Christian Council called me to the position of executive director to assist the Christian community in developing a statewide ecumenical/cooperative program because of my experience in community organization within rural, suburban, and urban communities.

Senator Nunn, we appreciate your sponsoring this hearing because you bring an international perspective to the security of our Nation and you know the value of a stable and secure domestic scene to world peace and world economic development.

Senator Fowler, we appreciate you sponsoring this hearing because you bring an urban perspective to the understanding of rural development and have learned the essential rural-urban connections in your recent hearings and visits throughout this state that make for domestic security during a time of transition.

By virtue of my profession and position, I want to focus your attention for the next few minutes on the hurting, broken and marginalized people in our rural communities. These are the families who have experienced economic disaster through inadequate education, the closing of plants, farm foreclosure—actual and threatened—and the boarding up of locally owned and operated businesses. My observation is that the familiar quote, "If it ain't broke, don't fix it," does not stand up in the context from which I speak.

I am here today to say to you that the rural communities in Georgia and specific families within those communities are broken and need fixing. Twenty to 30 percent of farm families, with the ripple effect into rural communities, towns and cities, are financially broke, are psychologically broke and are historically broke. These are the landowners whose debt-asset ratio cause threats of foreclosure, foreclosure and bankruptcy. These are persons who seek destructive ways through divorce, suicide, neurotic blaming of others and reliance upon armed radicals. These are families who have lost their roots by losing the heritage of the homeplace and dislocation into an unfamiliar urban environment. Senators, they are broken and there is insecurity within the land.

We have placed these people on the margins of our society and write them off as economic liabilities and politically insignificant. In the context of the religious faith, the laws of the land are to be

written and administered with an option for the poor so that they may experience justice. This is your challenge as lawmakers. Laws must be written and administered to permit these rural community families to maintain dignity, to receive a livable income, and live a pastoral quality of life. Loopholes in laws must be closed that allow investment farmers to rape the Federal till and brush aside those who choose rural living as a way of quality life.

What do I suggest? First, stop applying the cliches as principles that "bigger is better"—not necessarily—"the bottom line is what counts"—not always—"experts have the answers"—really?—and "if it ain't broke, don't fix it"—lives are broken.

Second, bring into focus the Cooperative Extension Service with its purpose to assist the marginal families in rural communities to improve their quality of living.

Third, challenge the early cooperatives that have grown into huge agribusinesses to allow and to assist the marginal families to participate in organizing their own cooperatives at the local level.

Fourth, listen to the families who are experiencing brokenness in their lives. I am only their advocate. Their weary voices need to be heard and their worried faces need to be seen. What kind of solutions do they have out of their experiences that will allow them to live the quality of life they seek?

Fifth, whatever the rural development proposal—industry, highways, recreation, alternative farming, et cetera—take into consideration the impact it will have in the total rural community. Especially consider the impact it will have upon the poor and be certain that it improves their quality of life.

Sixth, foster the development of small businesses that meet the needs of that particular rural community and its development.

Seventh, include the religious leadership on planning committees in local communities. Their investment is the life of a congregation. Their resource is knowing families within the community in a context that considers their whole life and not just one aspect; namely, economic.

Eighth, draw upon the research resources of the religious community within the State of Georgia.

The Southern Baptist Convention Home Mission Board, Atlanta, has a research department and a staff person assigned to rural development.

The Georgia Baptist Convention has a staff person assigned to assist local congregations in their response to community needs.

The General Missionary Baptist Convention of Georgia is preparing to launch a program that will address the needs of majority black populated counties.

The African Methodist Episcopal Church is conducting a survey and will have a report this fall on rural needs as seen by their congregations in Georgia.

The United Methodist Church years ago established a Southeast Jurisdictional Rural Development Center located in Hayesville, NC, which is used by Georgians.

The Roman Catholic Church has the Glenmary Research Center in Atlanta which was established for the purpose of assisting rural development. The U.S. Roman Catholic Bishops recently issued a

pastoral letter on the U.S. economy with a section on "Food and Agriculture" which I commend for your consideration.

The Georgia Christian Council is preparing an educational program for urban people to discover the rural-urban connections in the area of equity; rural development and legislation.

On this subject, we are co-convening with others a "Rural- Urban Connections Conference" Saturday, October 10, in Atlanta. We especially invite you Senators and your staff to attend.

Finally, I would urge you to give serious consideration to the Family Farm Act of 1987 which I understand to have had considerable input from the small and family farmers who are hurting and need relief. Passage of such Federal legislation would go a long way in rural development for those needing it most. Graphically speaking, do not feed only the hogs who come to the trough.

In summary, I have shared with you that whatever choices are made in rural development, that a primary consideration be on how it affects the quality of life for the marginal, broken, poor persons and families in that community. I have suggested that you use the rural research resources of the Christian community for your consideration in further planning.

We thank you for this opportunity of participation and will be available to assist as you mold these hearing ideas into proposed legislation that will improve the quality of rural life.

Thank you.

[The prepared statement of Reverend Leiter follows:]

NUNN/FOWLER RURAL DEVELOPMENT HEARING

July 20, 1987, Ft Valley State College

Testimony by the Rev. Don Leiter, Executive Director, Georgia Christian Council

Senator Nunn, Senator Fowler, on behalf of the religious community of Georgia, I express our appreciation for including a spokesperson in your hearing on rural development. We have a great concern for the economic development of our rural communities based upon the foundation of the biblical record, religious faith expressions, and developing values within the community that support personal growth, family life and community relationships.

Three years ago the Georgia Christian Council called me to the position of executive director to assist the Christian community in developing a state-wide ecumenical/cooperative program because of my experience in community organization within rural, suburban and urban settings. I grew up on a farm in Ohio; spent thirteen years in rural related ministries in Pennsylvania, Delaware, Maryland and Georgia; twelve years in urban ministry in Chicago, Philadelphia and Washington, DC; and eight years in suburban ministry in metro Philadelphia and metro Chicago.

Senator Nunn, we appreciate your sponsoring this hearing because you bring an international perspective to the security of our nation and you know the value of a stable and secure domestic scene to world peace and economic development. Senator Fowler, we appreciate you sponsoring this hearing because you bring an urban perspective to the understanding of rural development and have learned the essential rural-urban connections in your recent hearing and visits throughout the state that make for domestic security in this time of transition.

By virtue of my profession and position I want to focus your attention for the next few minutes on the hurting, broken and marginalized people in our rural communities. These are the families who have experienced economic disaster through inadequate education, the closing of plants, farm foreclosure (actual and threatened), and the boarding up of locally owned and operated businesses. My observation is that the familiar quote, "If it ain't broke, don't fix it!", doesn't stand up in the context from which I speak.

I'm here today to say to you that the rural communities in Georgia and specific families within these communities are "broken" and need "fixin'". Twenty to thirty percent of farm families, with the ripple effect into rural communities, towns and cities, are financially broke, are psychologically broke and are historically broke. These are the landowners whose debt-asset ratio cause threats of foreclosure, foreclosures and bankruptcy. These are persons who seek destructive ways out through divorce, suicide, neurotic blaming of others and reliance upon armed radicals. These are families who have lost their roots by losing the heritage of the homeplace and dislocation into an unfamiliar urban environment. Senators, they are broken and there is insecurity within the land.

We have placed these people on the margins of our society and write them off as economic liabilities and politically insignificant. In the context of religious faith the laws of the land are to be written and administered with "an option for the poor" so that they experience justice. This is your challenge as lawmakers. Laws must be written and administered that permit these rural community families to maintain dignity, to receive livable income, and live a pastoral quality of life. Loopholes in laws must be closed that allow investment farmers to rape the federal till and brush aside those who choose rural living as a way of quality life.

What do I suggest? First, stop applying the cliches as principles that "bigger is better" (not necessarily), "the bottom line is what counts" (not always), "experts have the answers" (really?), and "if it ain't broke, don't fix it" (lives are broken).

Second, bring into focus the Cooperative Extension Service with its purpose to assist the marginal families in rural communities to improve their quality of living.

Third, challenge the early cooperatives that have grown into huge agri-businesses to allow and assist the marginal families to participate in organizing their own cooperatives at the local level.

Fourth, listen to the families who are experiencing brokenness in their lives. I am only their advocate. Their weary voices need to be heard and their worried faces need to be seen. What kind of solutions do they have out of their experiences that will allow them to live the quality of life they seek?

Fifth, whatever the rural development proposal (industry, highways, recreation, alternative farming, etc) take into consideration the impact it will have in the total rural community. Especially consider the impact it will have upon the poor and be certain that it improves their quality of life.

Sixth, foster the development of small businesses that meet the needs of that particular rural community and its development.

Seventh, include the religious leadership on planning committees in local communities. Their investment is the life of a congregation. Their resource is knowing families within the community in a context that considers their whole life and not just one aspect (such as economic).

Eight, draw upon the research resources of the religious community within the state of Georgia.

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The Georgia Christian Council is preparing an educational program for urban people to discover the rural-urban connections in the areas of equity, rural development and legislation.

On this subject we are co-convening with others a "Rural-Urban Connections Conference", Saturday, October 10, in Atlanta. We especially invite you and your staff to attend.

Finally, I would urge you to give serious consideration to the "Family Farm Act of 1987" (S. 658 and H.R. 1425) which I understand to have had considerable input from the small and family farmers who are hurting and need relief. Passage of such federal legislation would go a long way in rural development for those needing it the most. Graphically speaking, don't feed only the hogs who come to the trough.

In summary, I have shared with you that whatever choices are made in rural development that a primary consideration be on how it effects the quality of life for the marginal/broken/poor persons and families in that community. I have suggested that you use the rural research resources of the Christian community for your consideration in further planning (see attachment for names, addresses and phone numbers). We thank you for this opportunity of participation and will be available to assist as you mold this hearing data into proposed legislation that will improve the quality of rural life.

RELIGIOUS RESOURCES for RURAL DEVELOPMENT

Georgia Christian Council, The Rev. Don Leiter, Executive Director,
P.O. Box 7193 912/474-3906
Macon, GA 31209

Home Mission Board, SBC, Mr. Orrin D. Morris, Director of Research
1350 Spring St. NW Mr. Gary Farley, Assoc Director, Rural Life
Atlanta, GA 30367 404/873-4041

Ga Baptist Convention, The Rev. Ed Onley, Director, Christian Ministries
2930 Flowers Rd S 404/455-0404
Atlanta, GA 30341

General Missionary Bapt Conv, The Rev. Cameron Alexander, President
540 Kennedy St. NW 404/688-5679
Atlanta, GA 30318

African Methodist Episc Church, The Rt. Rev. Frederick H. Talbot, Bishop
208 Auburn Ave. 404/659-2012
Atlanta, GA 30303

Hinton Rural Life Center, UM, Mr. Clay Smith, Director
P.O. Box 27 704/389-8336
Hayesville, NC 28904

Glenmary Research Center, Mr. David Dybiec, Rural Research
750 Piedmont Ave. NE 404/876-6518
Atlanta, GA 30308

ECONOMIC JUSTICE FOR ALL: Pastoral Letter on Catholic Social Teaching and the U.S. Economy, National Conference of Catholic Bishops, 1986. Paper back book edition available from: United States Catholic Conference, Inc., 1312 Mass. Ave. NW, Wash. D.C. 20005.

RENEW THE SPIRIT OF MY PEOPLE: A Handbook for Ministry in Times of Rural Crisis, Prairiefire Rural Action, 550 11th St., Des Moines, IA 50309

RURAL/URBAN CONNECTIONS Conference, October 10, 1987, 7:30 a.m. - 7:00 p.m., at an Atlanta church. Co-convenors include: Federation of Southern Cooperatives/Land Assistance Fund; Christian Council of Metro Atlanta; Rural Crisis Issues Team/National Council of Churches; Center for Democratic Renewal; Georgia Christian Council.

GEORGIA CHRISTIAN COUNCIL Executive Board

JUDICATORY PARTICIPANTS

CHIEF EXECUTIVES

REPRESENTATIVES

African Methodist Episcopal Church Talbot, Frederick H.	Yorpp, E.P.
African Methodist Episcopal Zion Church Bishop, Cecil	Moore, Robert
American Lutheran Church Wolber, David A.	Reinertsen, Gordon
Christian Church (Disciples) in Georgia Alexander, David L.	Dalrymple, Gordon B.
Christian Methodist Episcopal Church Coles, Joseph C.	Jones, Henry E.
Episcopal Church, Diocese of Atlanta Child, C. Judson	Allan, Frank K.
Episcopal Church, Diocese of Georgia Shipps, Harry	Wilson, Tere
Greek Orthodox Church, Diocese of Atlanta Bishop John of Atlanta	Goumenis, Homer P.
Lutheran Church in America Troutman, Gerald S.	Thompson, Charles Allen, Robert E.
Presbyterian Church (USA), Synod of SE Nisbet, James A.	Colladay, Frank
Presbyterian Church (USA), Presbytery of Georgia Pentecost, M.K.	Hoyt-Borah, Mary
Roman Catholic Church, Archdiocese of Atlanta Donnellan, Thomas A.	Danneker, Edward
Roman Catholic Church, Diocese of Savannah Lessard, Raymond W.	Crider, Fretwell G.
United Church of Christ, Ga/SC Association Floyd, Emmett O.	Bryant, Erna
United Methodist Church, Atlanta Area Fitzgerald, Ernest	Williamson, Randall
United Methodist Church, North Ga Conference	Yohan, Shantilata Cantrell, James
United Methodist Church, South Ga Conference	Edmunson, Cardy Randitt, Ina

Proposal for the GEORGIA CHURCHES RESPONSE to the RURAL CRISIS

The Georgia Christian Council, P.O. Box 7193, Macon, GA 31209, adopted at its regular Executive Board meeting, October 7, 1986, the substance of this proposal and referred it to the Rural Crisis Task Force for refinement. It now submits the following proposal to the Georgia churches, organizations and individuals to request their support with funds, programs and persons in response to Georgia rural families in crisis.

The Council has sponsored with the University of Georgia Cooperative Extension Service two Clergy Conferences on the Farm Crisis in May, 1986. Following the 1986 drought it cooperated with Church World Service through the Federation of Southern Cooperatives in the receipt and distribution of funds, hay, commodities, and seed. It has organized the Georgia Rural Crisis Task Force of religious and organization groups concerned about the church's response to the crisis. This proposal is a result of this Task Force's planning and will be implemented by the Task Force under the supervision of the Council.

Foreclosure notices have gone out to several thousand farmers and more will follow this year. There is a great need for the Church to take the initiative and make it possible for farmers and rural community families experiencing loss to find someone who will hear them out with spiritual and psychological support.

We propose a three to five year program that will respond to the immediate short term needs and to the larger societal change needs.

There are three components in the immediate response.

1) Establish a Counseling Program for rural community persons in crisis. Such a program would include an 800 Hotline, peer listeners/counselors, pastoral counseling, and referral services as appropriate. Training would be provided for all persons involved in the program. The South Georgia Conference United Methodist Church is initiating this program but requests that it be ecumenical.

2) Develop a Resettlement Program that would assist the rural family to receive continuing support from the church as they seek relocation in town or city in search of employment.

3) Utilize as a Training Resource the Center for Democratic Renewal in preparing church members to respond to radical right/para-military groups.

There are three components in the long range response.

1) Develop a Rural-Urban Educational Program to inform, interpret and involve Georgia congregations in a response to the rural crisis. This will involve the development of materials for local church programs, facilitate the involvement of churches in community urban-rural programs and the conducting of seminars/conferences.

2) Develop Legislative Educational Materials and Programs to stimulate dialogue between church members and their state and federal legislators.

3) Support a Program of Water and Land Control.

This program will employ a full time Coordinator, limited secretarial staff, provide for significant program materials, travel expense and a hotline.

Funding needed in 1987 - \$25,000; 1988 - \$45,000; 1989 - \$50,000

CONTACT: The Rev. Don Leiter, Executive Director, Georgia Christian Council, P.O. Box 7193, Macon, GA 31209. Telephone: 912/474-3906

April 28, 1987.

Senator FOWLER. Thank you for your very eloquent testimony, Reverend Leiter.

Last but certainly not least is Mr. Jerry Davis who runs the Heart of Georgia Peanut & Gin Co. in Hawkinsville, GA. He was invited to the panel to discuss some of the problems that are shared by many small business men and women in our State. I think you have got some problems to discuss with us today.

STATEMENT OF JERRY D. DAVIS, HEART OF GEORGIA PEANUT & GIN CO., HAWKINSVILLE, GA

Mr. DAVIS. Thank you, Senator Fowler, Senator Nunn.

I will attempt to summarize as you requested. I am going to skip my comments on the farmer, I do not think there are any comments that you have not already heard.

I will go to the agribusiness section. In our area, approximately 40 percent of our available productive land has been idled by the Payment-in-Kind programs. The Payment-in-Kind program does have its benefits but there are no payment-in-kind benefits for the agribusiness. In agribusiness I would include those that sell inputs to the farmer as well as those that buy the products from the farmer.

We in agribusiness have had to sink or swim as the PIK programs in 1981 and 1985 farm bills have taken their allocated cuts out of productive land.

And now in Geneva, the GATT talks have resumed between the major agricultural trading nations of the world. The Reagan Administration has presented a program that calls for all of the policies that distort trade in agriculture be ended by the year 2000. This will be preceded by the elimination over a 10 year period of all export subsidies, trade and quota barriers and domestic subsidies that inhibit agricultural trade. Certainly close to us is the peanut subsidy, cotton subsidy, and others.

Now the question comes to the agribusiness area. Can our customers, the farmers, stand head to head in the international market with oil seed, cotton, grains and others and produce on a total basis with the rest of the world? Will agribusiness be able to change or will the toll continue to mount?

The company which I represent, which I manage, obtained in 1977 a disaster loan based on problems in that drought year. It was for a 15 year period with payout based on anticipated business in the next 15 years. It did not include the PIK program. Now can I, as manager of the company, finish paying my loan off with the resources, taken out of production? And if I cannot, my business goes under, I am looked at or my owners are looked at as failing to manage properly, failing to see into the future.

Now let us look at outlying counties and businesses in those areas. Business is kind of flat, expansion by business is minimal. Taxes have to be raised because the school and Government facilities need more money. Necessary funds are required and yet the tax base increases slowly, if at all. We have a problem with insurance, liability insurance is up 300 percent and more. Many of us are uninsured, we are putting ourselves in a very bad position be-

cause of the high cost of insurance. Several people have identified this to state officials and we are working on it.

Small businesses in the rural communities suffer internally from lack of education, as has been spoken of here already. How many marketing degrees will you find in Ellaville, Hawkinsville, Rochelle or Cochran? Indeed, if one of our children obtained a marketing degree or similar business degree we would diligently encourage him or her to move to Atlanta, to Augusta, Jacksonville, where the money is. Our small communities need the young graduates. Mr. Jones on the previous panel said they leave. I think more than that, we run them off, we encourage them, we want them to have better, want them to do well, so we push them toward the Macons and Atlantas, Augustas, and Jacksonvilles.

Similarly, shopper flight from our business areas to the cities. People think to have a nice evening meal, you have got to go to Macon. If they are going to trade cars, they have got to go to Macon or Warner Robins. If we have an accident, we do not want to go the local hospital. We tell one another, do not take me to the local hospital, for God's sake take me to Macon. You know, it is a disaster to stop in the local hospital. Then you get to Macon and they want you to go on to Emory in Atlanta to have a second opinion. I think we are looking over our local community, we are looking toward the glitter of the Macons, the Tiftons, the Cordeles, Atlanta, and perhaps we are our own worst enemy.

We must all strive to build up our own local communities and support our local businesses.

I am reminded of a statement I read in the June 14 edition of the *Macon Telegraph and News* by Mrs. Colleen Nunn, wife of Senator Sam Nunn, and I quote, "Frankly, I think the American people are going to get just about what they deserve, rather than what they think they deserve, in a president."

I suggest to you that we have the business communities we deserve, rather than the ones we think we deserve. We do, however, need help in improving them.

Thank you.

[The prepared statement of Mr. Davis follows:]

Jerry Davis - 7/20/87

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I would like to comment on the economic situation of small business in rural Middle Georgia. Small business in rural Middle Georgia for purposes of this discussion should be divided into two major groups. In one group you have those businesses directly dependent on agriculture, and in the other group, all other businesses of the communities.

First, let us consider those dependent upon agriculture. The farmer himself must be considered, and I will be brief. For many years our farmers have been practically a ward of the federal government. Each new administration, each new Congress and farm bill subjects him to new programs, policies and regulations which even the local ASCS office has difficulty explaining and enforcing. Let it suffice here to say only that farmers as businessmen are having tremendous difficulty. Bankruptcies and foreclosures are now common, and I see very little positive change for the near future.

Now, let us look at the agri-business in the communities that are directly dependent upon agriculture. Many agri-businesses have left the scene in the past ten years. The drought of 1977 is where this latest decline began. Agri-businesses began to suffer economically from accounts receivables and loss of volume. Then farmers began slowly to plant fewer acres and purchase fewer inputs. More droughts, falling prices, and a lack of proper farm financing played havoc with all of the agri-business suppliers. Now we are cut further by the 1981 and 1985 farm bills which decree that fewer and fewer acres be farmed. In our area approximately 40% of the land has been idled. There is no compensating Payment-in-Kind (PIK) programs

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for agri-business. As acres are cut and volume shrinks, agri-businesses have had to "sink or swim".

In Geneva, the most recent opening of the GATT talks have begun between the major agricultural trading nations of the world. The Reagan administration has submitted a proposal which calls for a total phase out of all policies that distort trade in agriculture by the year 2000. This will be preceded by the elimination over a ten year period of all export subsidies, trade and quota barriers and domestic subsidies that inhibit agricultural trade.

Many questions arise immediately for agri-business. Can his customers compete head to head in the international market with oil seeds, cotton, grains, etc? Will agri-business be able to change or will the toll continue to mount?

The company which I manage qualified and received a disaster loan through the SBA after the drought of 1977. The payout was for fifteen years based on projections of business at that time. We have made all our payments except one and that was because of the drought of 1980. I repeat, there is no PIK program for agri-business. One agency of the federal government (SBA) made us the loan and another agency (USDA) is taking away the resources which we need to repay the loan, namely acres of production. Many other agri-businesses are being affected the same way.

Other small businesses in our area seem to be doing much better. As you get closer to Warner Robins Air Force Base and Macon it becomes obvious the business community is very healthy. Outside of agriculture, defense spending is a major resource for rural Middle

Jerry D. Davis - 7/20/87

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Georgia. Those small businesses that support the defense and those retail businesses that supply the people of the area are doing quite well.

Let's look now at communities in the outlying counties. Business is kind of flat. Expansion by existing businesses is minimal. Local taxes are high as the local government, public services and school systems require more and more funds from a very slowly increasing tax base. Insurance costs have increased tremendously. Liability insurance increases of 300% and more per year have been common. Many small businesses are taking chances by choosing to be uninsured. The insurance problem has already been brought to the attention of our state and federal officials and we in small business still seek help with it.

Small businesses in small rural communities suffer internally from a lack of a proper business education. How many marketing degrees will you find in Ellaville, Hawkinsville, Rochelle or Cochran? Indeed, if one of our children obtained a marketing degree or a similar business degree we would diligently encourage him or her to move to Atlanta, Augusta, or Jacksonville. Our small communities need these young graduates.

Similarly, "shopper flight" plagues small business as the local population goes out of town to shop in the larger cities. People have not eaten out unless they have been to Macon. Their clothes could not possibly fit or look good unless they are purchased at the Mall or in Atlanta. People seem to believe they can't get a good deal on a car unless you go to Warner Robins or Macon. We

Jerry D. Davis - 7/20/87

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even tell each other it is sure death if in an emergency, you go to the local hospital. Even after you go to a Macon hospital, you are encouraged to go to Emory in Atlanta for a second opinion.

Perhaps, we who live in small rural communities and operate small businesses are our own worst enemies. We must all strive to build up our own local communities and support our local businesses.

I am reminded here of a statement I read in the June 14th edition of The Macon Telegraph and News by Mrs. Colleen Nunn, wife of Senator Sam Nunn. I quote, "Frankly, I think the American people are going to get just about what they deserve, rather than what they think they deserve, in a president."

I suggest to you that we have the business communities we deserve, rather than the ones we think we deserve. We do, however, need help in improving them.

Senator FOWLER. Thank you very much, Mr. Davis, for that very specific, very helpful testimony.

Senator NUNN is going to start off the questions.

Senator NUNN. Reverend Leiter, I would just like to follow up one suggestion you have got here. You state in your testimony, bringing into focus the Cooperative Extension Service for the purpose of assisting marginal families in rural communities to improve their quality of life. It is my understanding some of that is happening now. Are you saying increase that or are you saying refocus it? How are you—

Reverend LEITER. Yes, it is happening. My understanding and my impression is that there was a period of time when the direction went to further developing bigger and better and larger and they lost the emphasis of trying to reach the marginal family, the farmers who are struggling. And I have seen that assistance taking place again. It really needs support from Federal and State legislation and funding to see that assisting marginal rural families takes place adequately. Because it needs field service, going out to the farmer who needs the help rather than waiting for the farmer to come to them.

Senator NUNN. Thank you. Mayor Peede, other than superb leadership at the Mayor's level, how would you—what would you say—and I know that really has been there in your city—how would you rate, priority-wise, the most important things that you have done in Ellaville?

Mayor PEEDE. Since I have been there?

Senator NUNN. Well even before. What has allowed Ellaville to basically stand out. You mentioned you had water and sewer available, you had a lot of the services that are necessary available, that you have done it with a weakening tax base. How have you done that?

Mayor PEEDE. Well we have the mobile industry largely in Ellaville and Schley County. We have more employees now in industry in Ellaville than we had total population in 1970-1940, I misspoke. I think that that has been probably one of the greatest things we have going. We have not only the mobile home but all manufactured housing. And then we have the support businesses for those.

Senator NUNN. So our tax base has been growing then?

Mayor PEEDE. Yes, our tax base has been growing, not the tax rates. In the city we have not raised taxes, the millage rate, in about 5 years. The county of course has had to. As I said, we do have an active Mayor and council, we do have active county commissioners and we are cooperative. I think that if you do not have that, then you are lost.

Senator NUNN. Thank you. Doctor, you described your area in Albany with your overall emphasis on regional cooperation. Can you tell us the breakdown of the funding and how this effort has been funded in terms of how much government money; Federal, State, local and how much of it is based on fee. Where does the money come from for the delivery of your health services?

Dr. Horz. Approximately two-thirds of the funds come from patient revenues and less than one-third comes from the Federal grant, the 330 Community Health Center Act. In the time in which they resource sharing—revenue sharing has fallen off, there is just

very little financial capacity in the local areas to support regional health care. For example, Baker County cannot—they do not even have the funds for their own ambulance service. So we do not think that there is going to be funds available in these small rural counties for indigent health care. We have to generate it from services that we deliver mostly and then also we believe that there has to be a realization that the number of indigents has risen and that there has been a plateauing in the total funding of community health centers. It has stood at \$400 million for the past 5 years, has not gone up even \$1 million. And this does not take into account the increase in medical costs and the increase in number of indigents in rural areas. So most of our funds are generated by the participation of the patients we see. We have a large number who are medically indigent and who are asked to pay just according to their ability to pay.

Senator FOWLER. Dr. Hotz, is there—again, I know the answer but I want to get some of this on the record—is there an actual deterioration in rural health services that you have seen over the last 10 year period?

Dr. HOTZ. I believe there actually is.

Senator FOWLER. Why is that?

Dr. HOTZ. I believe because of the increase in demand and not enough money to pay for services that are necessary. There is tremendous—as the panel has demonstrated so well—tremendous stress in the rural area. It used to be that people lived longer living in rural areas but that is not true anymore. With the increased stress, the problems in the family, we find that people are not living as long, they have greater medical problems and that stress is contributing to these. If you look at the things that kill our people today, we have gone past the era of infectious disease and they are diseases of lifestyle; cardiovascular disease, cancer, accidents, chronic lung disease; 90 percent of deaths come from these factors. If you look at what is necessary, what is essential for somebody who has the desire to keep on living, a desire to participate in his own health and also available affordable health services.

So for these various reasons, you have increased stress in rural areas, you do not have people willing to change their lifestyle, they do not have the funds to pay for the services, and lastly the services just are not available. So I definitely think it has gotten worse in rural areas and I have cited several national statistics to show that it is not just here. Some of the midwest trends we believe strongly are going to be hitting our area shortly.

Senator FOWLER. Superintendent Averett, what specific programs, educational programs, that have worked and that certainly we would all agree are necessary and beneficial to our people, have you had to sacrifice and cut back on because of the cutback in Federal dollars?

Mr. AVERETT. I think, Senator Fowler, as I alluded, the funds in our title which are now our chapter programs, Chapter 1, this is where specifically those students at risk, those that are below grade level, funds in those areas have been decreased.

Senator FOWLER. The ones that need the help the most.

Mr. AVERETT. The ones that need the help the most are not getting nearly as much, and that is a real problem, particularly in

these areas in rural Georgia where education deprivation just is there. We need additional help.

Senator NUNN. Jerry, I just wanted to ask one question about your hospital in Hawkinsville. Is that still able to—is it funded adequately now, are you able to maintain a viable operation?

Mr. DAVIS. Yes, sir. I believe the hospital in Hawkinsville is well funded, it is staffed adequately with physicians. I myself had a heart attack last February, I was taken to the Hawkinsville Hospital, treated very well and I was then transferred to Macon. The physician in Macon said, "Jerry, you were fortunate, your local doctor is as good as you could have had." But we as a population almost make fun of the few instances that do occur to say just do not take me to the Hawkinsville Hospital. It is there and it is well staffed, it is adequate but we—the population do not seem to appreciate it. I was even told by very meaningful people in the community that, you know, do not trust the doctor in Macon, go on to Emory. My physician said, "Jerry, I am not going to send you to Emory, there are too many people up there just practicing, they are interns. You do not want to get in that confusion at Emory." [Laughter.]

Senator NUNN. That is a lot like big law firms, you do not get anybody but the new students who are working in the summer sometimes.

Mr. DAVIS. Yes, sir. I was steered away from Emory students.

Senator NUNN. Well, I want to thank all of you for a superb panel. We are going to have three more panels this afternoon, let me give you a brief preview. We will have Commissioner Jim Higdon from the State of Georgia this afternoon. We will have a panel on marketing, this is going to be a very interesting panel. We will hear from the Ports Authority, Georgia Forestry Commission, Georgia Poultry Commission, and Georgia Tourism Commission. Then we will have a new ideas panel to talk about a lot of things that can be done; and the last panel will be on the success stores in some of the small areas of our State.

So I hope all of you have a nice lunch. I am told we will have a press conference right here immediately rather than where we originally scheduled it and we will begin back at 1:30. Thank you all for being here.

[Whereupon, at 12:40 p.m., the hearing was recessed for lunch, to resume at 1:30 p.m. the same day.]

Senator NUNN. We need to get started this afternoon. I hope everybody will take their seats. We have got a couple of panel members who will be coming a little late, but we are going to have to go ahead and get started because we are going to have a very busy afternoon. We will have a lot of witnesses and hopefully some good discussions.

We are going to start off this afternoon with the Commissioner of Community Affairs, Commissioner Jim Higdon. Jim represents the Governor of Georgia and has done a tremendous job in the Community Affairs Department of the State of Georgia. Jim, why do you not lead off this afternoon. We will go through the panel and then we will come back and have some discussion.

STATEMENT OF JIM HIGDON, COMMISSIONER, GEORGIA
DEPARTMENT OF COMMUNITY AFFAIRS, FORT VALLEY, GA

Commissioner HIGDON. Thank you, Senators Nunn and Fowler. I would like to thank both of you and your staffs for the opportunity to testify today on a topic that has become the overriding concern of my Department in recent years. I am representing Governor Joe Frank Harris who sends his thanks and regards and his expression of commitment to work with officials at every level of government to address the needs and opportunities of rural Georgia.

I will try very briefly to summarize the basic principles that govern the Harris Administration's approach to economic development, especially in rural areas, and in the process mention a few of the new initiatives we are involved in. Obviously, I do not claim any exclusive right to describe or interpret what the State of Georgia is doing to promote rural development, and you will hear from some other State officials in the course of this hearing who will share their own special perspectives.

The first basic principle guiding the State's approach to rural development is to be intelligent and realistic in assessing economic trends. Georgia has an enormously diverse economy. We are not heavily dependent on one or two sources of income and investment, like some of our neighbors, and this is clearly an advantage for the State as a whole. But that diversity also means that at any given moment, growth, income and employment statistics are likely to vary for different communities around the State. That is not going to change no matter what we do, unless we decide unwisely to put all of our eggs into one basket and become a boom or bust one-industry state like Louisiana or Texas.

Some commentators seem to think that you can understand Georgia's economy by simply adding up economic indicators, drawing a line at the median levels, and calling communities or regions above the line winners and those below the line losers.

That is an unintelligent approach in part because it wrongly implies that our economy is a zero-sum proposition in which one community's success depends on the distress of another and also because it ignores the variety of industries we have and the complex trends governing each and every one of them.

We need more diversity, not less, right down to the level of the individual community. It is no secret that the areas of rural Georgia that have suffered the most economic distress of late have been those who have depended disproportionately on commodities and manufacturing products that are unusually sensitive to current rates and world market trends. Five years from now, those factors may change and the very communities we are so worried about now may be temporarily in great shape. The only way to get off the roller coaster is to diversify, beginning with those industries in which different communities have a clear potential advantage.

We cannot even begin to help diversify our rural economy so long as we think of diversity as an evil, treat rural Georgia as an undifferentiated blob, and seek uniform magic solutions. As you will hear this afternoon in the success stories portion of the agenda, the approaches which usually work in a given rural community are unique to that community's background, economic

base, geographical location and its leadership. Being sensitive to the needs of rural Georgia means understanding those unique circumstances, instead of blurring them in misguided and condescending pity for the plight of rural Georgia.

The second basic principle governing the Administration's approach to economic development in rural areas is to pay close attention to the very different roles each level of government can and must play.

The State of Georgia cannot do a thing about agricultural commodity prices, commodity credit, the budget and trade deficits, currency valuation or foreign government unfair trade practices; all factors which have contributed to the recent distress in some parts of rural Georgia. One reason the Georgia Department of Agriculture has one of the toughest jobs in State government is that they must struggle to improve farm production and farm sales here and abroad, even though the most important factors influencing agriculture and agribusiness are beyond their control.

The most important responsibility of State government in promoting rural development is that of financing and building capital infrastructure projects critical to future development like roads, water and sewer facilities, ports, and so forth, and in financing basic human services, especially education and health care. In every area I just mentioned, State expenditures flow disproportionately to non-metropolitan areas. A lot of people are surprised to hear that, because we do not make a habit of breaking out expenditures into special interest urban and rural programs. We prefer to treat Georgians as Georgians.

Aside from long-term financial investments in the future of rural Georgia, the State's main role is to provide technical assistance to help communities that are willing to help themselves. That brings me to the local government role in rural development. My Department runs a variety of programs designed to help communities identify their unique strengths and weaknesses, decide on the types of economic activity they can realistically promote, and create a down-to-earth, step-by-step strategy that the entire community can support and contribute to. Our aim is to help each community get to that point where the other branch of the State's technical assistance program for economic development, the industrial recruiters in George Berry's office, can be usefully employed to make things happen.

My staff spends almost all of its time in rural communities, and if there is anyone here who doubts that constructive steps are being taken by local leaders in rural Georgia to make things happen, I invite you to come with us and see for yourselves.

The key to this whole approach is to tailor programs and services to those tasks which only the State can perform, leaving the most important decisions to local communities and their governments. It is not very sexy, but it works.

The final principle governing the administration's approach to rural development is to pursue long-term strategies rather than short-term quick fixes.

We are currently pursuing two new initiatives that offer long-term, very practical solutions for those aspects of rural development that are within our control here in Georgia.

As you heard this morning from Mayor Lace Futch, my Department is working now at the direction of the General Assembly on a rural economic development study, which we believe will lead to a package of recommendations that the legislature and the Governor can act on in January 1988 and beyond. We are looking at issues ranging from the best definition for rural Georgia, to steps we can take to encourage commercial banks to get involved in rural development projects.

And second, the Governor's Growth Strategies Commission will aim over the next year and a half at a comprehensive game plan for every element of State economic development and resource management policy. Some of the publicity surrounding that Commission has created the misleading impression that it is mainly concerned with growth management problems in metro Atlanta. Believe me, this Commission will have a greater influence on rural development than anything that has happened in Atlanta over the last 2 decades, both for fast growing areas like Liberty and Effingham Counties and for rural communities with desperate infrastructure needs and declining population.

A realistic approach to the rural economy, careful attention to determining who should do what, and a long-term, comprehensive vision of economic development policy. These are the principles we are following in Georgia to promote rural development. And while I would be the first to admit that we have made and we will continue to make mistakes, I do think we are on the right track and I know we are working hard and we care.

Thank you.

[The prepared statement of Commissioner Higdon follows:]

TESTIMONY OF JIM HIGDON

COMMISSIONER, GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

U.S. SENATE FIELD HEARING ON RURAL DEVELOPMENT

FORT VALLEY, GA.

JULY 20, 1987

I'd like to thank Senator Nunn, Senator Fowler, and their staffs, for this opportunity to testify today on a topic that has become the overriding concern of my Department in recent years. I'm representing Governor Joe Frank Harris, who sends his thanks and regards, and his expression of commitment to work with officials at every level of government to address the needs and opportunities of rural Georgia.

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unless we decide unwisely to put all our eggs in one basket and become a boom-or-bust, one -industry state like Louisiana or Texas.

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We need more diversity, not less, right down to the level of the individual community. It's no secret that the areas of rural Georgia that have suffered the most economic distress of late have been those who depended disproportionately on commodities and manufacturing products that are unusually sensitive to currency rates and world market trends. Five years from now, those factors may change, and the very communities we're so worried about now may be temporarily in great shape. The only way to get off the roller-coaster is to diversify, beginning with those industries in which different communities have a clear potential advantage.

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background, economic base, geographical location, and leadership. Being sensitive to the needs of rural Georgia means understanding those unique circumstances, instead of blurring them in misguided and condescending pity for the "plight of rural Georgia."

The second basic principle governing the Administration's approach to economic development in rural areas is to pay close attention to the very different roles each level of government can and must play. That's a principle Joe Frank Harris understands better than anyone I've met in government.

The State of Georgia cannot do a thing about agricultural commodity prices, commodity credit, the budget and trade deficits, currency valuation, or foreign government unfair trade practices...all factors which have contributed to the recent distress in some parts of rural Georgia. One reason the Georgia Department of Agriculture has one of the toughest jobs in state government is that they must struggle to improve farm production and farm sales here and abroad, even though the most important factors influencing agriculture and agribusiness are beyond their control.

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into special-interest "urban" and "rural" programs...he prefers to treat Georgians as Georgians.

Aside from long-term financial investments in the future of rural Georgia, the state's main role is to provide technical assistance to "help communities that are willing to help themselves", as the Governor puts it, and that brings me to the local government role in rural development. My Department runs a variety of programs designed to help communities identify their unique strengths and weaknesses...decide on the types of economic activity they can realistically promote...and create a down-to-earth, step-by-step strategy that the entire community can support and contribute to. Our aim is to help each community get to that point where the other branch of the state's technical assistance program for economic development...the industrial recruiters in George Berry's department...can be usefully employed to make things happen.

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we're on the right track. I know for a fact that we're working hard... and that we truly care.

Thank you.

Senator NUNN. Thank you very much, Jim. We appreciate you being here, we appreciate the Governor's tremendous cooperation in putting this together and we look forward to hearing from you as we go through the panel and get back to the discussion.

Our next panelist will be an individual who is known all over the United States in the agricultural fields, Tommy Irvin. Tommy is of course one of our best known political leaders in the State of Georgia. He has been our Commissioner of Agriculture since 1969. He has keen insight into the problems and the opportunities. Tommy, we are delighted to have you.

**STATEMENT OF TOMMY IRVIN, COMMISSIONER, GEORGIA
DEPARTMENT OF AGRICULTURE, ATLANTA, GA**

Commissioner IRVIN. Thank you, Senator Nunn, Senator Fowler. If I need to, let me apologize for Mr. George Berry and myself's late arrival.

Senator NUNN. You were on time, we accelerated the program by half an hour.

Commissioner IRVIN. We were detained, and I think you are aware of this, Governor Harris called a meeting of the Hazardous Waste Facilities Authority, which both of us are members of, this morning and we were delighted to be in attendance and of course to be here.

First let me thank our two Senators for your interest. Certainly agriculture still makes up a major portion of our economy in Georgia, which translates to the major portion of our economy in many areas of our State and has a profound effect upon the overall economic viability of all sections of Georgia, whether it is rural or whether it is urban. There is no doubt but what we are going through many problems, but I think it is very evident that some of the worst is behind us.

If I may quote from a release out of the USDA that I just got today. "The Agriculture Department has dramatically revised farm income estimates to show that a tightening of farm levels and higher Government subsidies and livestock receipts yield record incomes this year. The latest agricultural output summary indicates that the net farm income will be within a range of \$40 billion to \$44 billion, up from a revised \$38 billion for last year." Now if that estimate materializes, it will be a record of farm income for our State extending from today and over the last several years and dating back to only about 4 years ago when our farm income was really down to—net farm income was down to depression levels, that is a dramatic turnaround.

We hope these projections will materialize. I have sensed a sense of optimism now for several months. We saw a dramatic improvement in some of our major commodity areas and of course as this—further in this report it indicates that the dramatic improvement in livestock is becoming the so-called front runner of this major turnaround. We in Georgia have been very fortunate that one of the other major factors in this report, poultry and eggs, have been doing rather well now for some time.

Of course our agriculture economy here in this section of Georgia is still basically row crops and we are still proud to report that our

peanut producers are still doing rather well. We see a great sense of optimism for our cotton farmers and we really believe that we have turned the corner there and will see cotton become another viable agricultural commodity for our State in years to come.

Senator NUNN. Tommy, I will interrupt you by saying while we are in peach country, tell us about the peach crop.

Commissioner IRVIN. Well I was going to get around to specialty crops and I do not know if we should ever call peaches a specialty crop here in Fort Valley, GA, but I think the latest report I had on peaches was that the production is up substantially over our earlier projections, we had all those cold nights, and it is an excellent crop but we did not get in the marketplace what we had sought for, that was a little bit short in what we actually received for them at the market level.

We are undergoing some dramatic changes in other major commodities in south Georgia and I am not going to dwell upon the areas that we have got to be doubly concerned about, but we really have turned the corner on tobacco production. Some of the unfavorable media we have had about some chemicals is of concern to all of us, but I do believe that some of the measures we are taking here at the State level, with the help of our delegation, and I know we have the support of our two Senators at the hearing, we hopefully are going to be able to keep our products in the marketplace and make this a thing of the past, learn from our mistakes and make sure they do not happen again.

Specialty crops have been ones we have all been talking about for a long, long time and I think the greatest success for a new specialty crop—not really new any more—is Vidalia onions, it has been a success in Georgia now for a number of years. We are working very, very hard to try to make sure that we expand on all of the specialty crops and we are trying to do some things at the State level and we have got tremendous support I might say from Governor Harris and members of our General Assembly in our endeavor to do this, and that is to put in an improvement package in many areas of our State—hopefully a lot more will be coming in the so-called coolers and processing facilities to make sure we keep the high quality of specialty crops that we produce. Basically we are talking about fresh fruits and vegetables, and keeping them in the best condition to fulfill the market needs that are available for us right here in our own marketing area. I think this is an area which has a lot of potential and we have been, I think, really successful over the last 3 or 4 years with the infusion of capital improvement expenditures from the Governor and the legislature to make this a reality.

Some of the major things that we have accomplished were a new apple cooler for Ellijay, GA; a new vegetable cooler, packing shed for Dillard, GA; a new cooler for Pelham, GA; a new refrigeration unit at Augusta, GA; improvements in the Cordele market which is right close by here to that major watermelon and cantaloupe facility there; new cooler facilities in Thomasville, GA; Glennville, GA for the Vidalia onions.

The list goes on and on of the things the State is doing to try to help Georgia farmers help themselves. But I think I would be remiss if I did not give credit to our two Senators here today for

something that they have done that has been a tremendous help to us at the national level. We have had kind of a tendency to stand off and criticize inaction in Washington on some of the problems we have had, but I think that you are due a tremendous amount of credit. Congress seized upon the initiative in establishing a marketing effort for us. Chief among them has been the rousing success of some of our commodities right here in Georgia and I foresee some things happening now that are going to help us tremendously in the future as we expand and add to our marketplace.

As was mentioned by the previous speaker here, some of the problems we face are really at the worldwide level and go beyond what anyone from the State level or even the national level can accomplish by themselves, but I believe if we all collectively continue to work together and apply pressure where pressure is needed, we are going to see some opportunities open up to us in the future to make it possible for our commodities to find a more welcome marketplace throughout the world.

We want to be a part of that scene and we want to continue to work with you in making sure that this happens. I think that American agriculture, Georgia agriculture in particular, has a lot to offer into that overall scheme and I think if we do these things and hopefully open up these markets and have access to them more freely, without undue tariffs or trade restrictions due to very, very low quotas, I think we can raise the standard of living throughout the world and by the same token raise the economic development for all of our people wherever they might live. So we want to continue to work with you in making this happen and I believe if we keep our eye on the big picture I think we are going to see some better times ahead.

Senator NUNN. Thank you, Tommy. I am delighted to hear that, all of us are, that optimistic assessment now on improvement in the agriculture field.

Next, we are delighted to have George Berry, who is the commissioner of Industry and Trade. George has done a tremendous job and like Tommy is known all over the Country for his excellent work. I worked with him for a long time and I know Wyche has. We are proud to have you here, George, and look forward to hearing from you.

STATEMENT OF GEORGE BERRY, COMMISSIONER, GEORGIA DEPARTMENT OF INDUSTRY AND TRADE, ATLANTA, GA

Commissioner BERRY. Thank you very much, Senator. I join the others in commending you and Senator Fowler for focusing on what has to be one of the most difficult economic problems facing this Country today, that of rural development.

It has been a personal disappointment to me that I have not been able to make a larger contribution to solving this problem.

I am a product of a small rural county and one of my motivations in accepting this job ~~was~~ that I could help Georgia's many small communities realize their dream of economic diversification. To tell you the truth, I have found it more difficult that I imagined and in some cases impossible.

I found that the prospects that we deal with generally tell us where they want to locate rather than vice versa. And with the new economic system that we are dealing with today, focusing on services rather than manufacturing or agriculture, that those jobs tend more toward urban area. I have found "we are not interested in sites beyond 1 hour of the Atlanta airport" is almost a standard criteria given to us by the Japanese and European business people that we are dealing with so much in these days of a global economy.

In short, I found that I cannot force the prospects to go where I would like for them to go, to rural Georgia where they are needed.

But this does not mean that I have quit or that I think success is impossible. The fact is that we have no choice but to compete and rural communities have no choice but to compete.

And there are enough success stories such as Douglas and Fitzgerald, Dahlonga, Calhoun, Bainbridge, and Fitzgerald that you are going to hear about today, and of course we have right here in middle Georgia Perry and Warner Robins and the Fort Valley area to tell us that success is possible.

Good strong committed and competent leadership, as pointed out by Jim Higdon, working in a community that has its infrastructure in place spells success in economic development all over Georgia where that combination occurs. And so, at the State level at least, I and my fellow department heads like Jim, Tommy, and John Mixon here, are going to continue to preach the message that communities who want to make the commitment to get their leadership together, get their services in place and become market oriented, will succeed.

Finally I would like to leave you with one thought which is frankly directed more to us Georgians than to Washington. A year or so ago, Governor Harris got a lot of knocks in the press because it was said that he denied there were two Georgias, one urban and prosperous and the other rural and poor. I was there at the time and I would like to clarify what he did say. I know it may come as a shock to you that the press did not get it exactly right, as they sometimes do not. No one can deny the statistics and what they show. Rural Georgia is in fact in trouble economically, particularly when compared to the ring around our major cities, especially Atlanta. But the point the Governor was making, which I think bears repeating, was that we should be very careful in our public debates and our public discourse on how to address this problem that we do not divide our state along rural and urban lines.

Do we have anything to gain by pitting rural residents of Georgia against its urban residents? The answer is no, there is not a single good reason why this should happen. Atlanta does not compete with Camilla. Atlanta was not in competition with Sylvester, Georgia for the Democratic National Convention. Atlanta competes with Orlando, with Charlotte, Dallas-Fort Worth and with Chicago.

The fact is that not one job will be created in Peach County, GA by failing to accommodate the growth that is occurring in Gwinnett County. The growth of the Atlanta metropolitan area, for example, is a blessing for the State of Georgia and it ought to be nurtured and encouraged and accommodated with the necessary infrastructure. By the same token, if we can break the code somehow

that will allow us to have the same success and economic growth in our rural areas, we should do that with the same sort of commitment.

Georgia will be strong if it has strong urban areas and strong rural areas. It will be weak if our public debate on this issue breaks down and deteriorates into squabbling between our rural and urban people.

Thank you very much for the opportunity to make these points.
[The prepared statement of Commissioner Berry follows:]

REMARKS BY
COMMISSIONER GEORGE BERRY
OF THE
GEORGIA DEPARTMENT OF INDUSTRY AND TRADE
BEFORE THE U. S. SENATE COMMITTEE ON SMALL BUSINESS HEARING
ON RURAL DEVELOPMENT AT FORT VALLEY STATE COLLEGE
ON JULY 20, 1987

I COMMEND SENATORS NUNN AND FOWLER FOR TAKING THEIR TIME TO FOCUS ON WHAT HAS TO BE TERMED ONE OF THE MOST DIFFICULT ECONOMIC PROBLEMS FACING THIS COUNTRY TODAY.

IT HAS BEEN A PERSONAL DISAPPOINTMENT TO ME AS COMMISSIONER OF THE DEPARTMENT OF INDUSTRY AND TRADE THAT I HAVE NOT BEEN ABLE TO MAKE A MORE SIGNIFICANT CONTRIBUTION TO SOLVING THIS PROBLEM THAN I HAVE DURING MY TERM OF OFFICE.

I AM A PRODUCT OF A RURAL COUNTY IN THIS STATE. I STRUGGLED THE FIRST TWENTY FIVE YEARS OF MY LIFE WITH THE UNIQUE ECONOMIC PROBLEMS OF AN ISOLATED COUNTY OF JUST 6,000 PEOPLE. ONE OF MY MOTIVATIONS IN ACCEPTING GOVERNOR'S HARRIS' INVITATION TO JOIN HIS ECONOMIC DEVELOPMENT TEAM WAS THAT I COULD HELP GEORGIA'S MANY SMALL COMMUNITIES REALIZE THEIR DREAM OF ECONOMIC DIVERSIFICATION.

I HAVE FOUND IT MUCH MORE DIFFICULT THAN I IMAGINED. IN FACT, I HAVE FOUND IT IMPOSSIBLE IN MOST CASES.

I FOUND THAT THE PROSPECTS WE DEAL WITH TELL US WHERE THEY WANT TO LOCATE RATHER THAN VICE VERSA. I HAVE FOUND THAT THE

MODERN ECONOMIC SYSTEM, FOCUSING ON SERVICES RATHER THAN MANUFACTURING OR AGRICULTURE, TENDS TOWARD THE URBAN AREAS. I HAVE FOUND THAT "WE ARE NOT INTERESTED IN SITES BEYOND ONE HOUR OF THE ATLANTA AIRPORT" IS ALMOST A STANDARD CRITERIA GIVEN US BY THE JAPANESE AND EUROPEAN BUSINESS PEOPLE WE ARE DEALING WITH SO MUCH IN THESE DAYS OF A GLOBAL ECONOMY.

IN SHORT, I HAVE FOUND THAT I CANNOT FORCE THE INDUSTRIAL PROSPECTS TO GO WHERE I WOULD LIKE FOR THEM TO GO...TO RURAL GEORGIA WHERE THEY ARE NEEDED.

BUT, THIS DOES NOT MEAN THAT I HAVE QUIT OR THAT I DO NOT THINK SUCCESS IS POSSIBLE. THE FACT IS THAT WE HAVE NO CHOICE BUT TO COMPETE. THERE ARE ENOUGH SUCCESS STORIES SUCH AS DOUGLAS, GEORGIA, AND FITZGERALD, GEORGIA, DAHLONEGA, CALHOUN AND BAINBRIDGE AND, OF COURSE, RIGHT HERE IN MIDDLE GEORGIA AT PERRY AND WARNER ROBINS AND FORT VALLEY, TO TELL US THAT SUCCESS IS POSSIBLE. GOOD STRONG COMMITTED AND COMPETENT LEADERSHIP WORKING IN A COMMUNITY THAT HAS ITS INFRASTRUCTURE IN PLACE SPELLS SUCCESS IN ECONOMIC DEVELOPMENT ALL OVER GEORGIA...IN COMMUNITIES BIG AND SMALL. SO, AT THE STATE LEVEL, I WILL CONTINUE THE STRUGGLE AND CONTINUE PREACHING THE MESSAGE TO COMMUNITIES WHO WANT TO MAKE THE COMMITMENT TO GET THEIR LEADERSHIP TOGETHER AND THEIR SERVICES IN PLACE AND BECOME MARKETING ORIENTED.

FINALLY, I WOULD LIKE TO LEAVE YOU WITH A THOUGHT THAT, FRANKLY, IS DIRECTED MORE TO US GEORGIANS THAN TO WASHINGTON. A YEAR OR SO AGO, GOVERNOR HARRIS GOT CRITICIZED IN THE PRESS BECAUSE, THEY SAID, HE WAS DENYING THAT THERE WERE "TWO GEORGIAS" ONE URBAN AND PROSPEROUS AND THE OTHER RURAL AND POOR. SINCE I WAS THERE AT THE TIME, I WOULD LIKE TO CLARIFY THIS AND TO MAKE A A POINT. NO ONE DENIES THE STATISTICS AND WHAT THEY SHOW. RURAL GEORGIA IS IN TROUBLE ECONOMICALLY AND IS POORER THAN THE SUBURBAN RINGS AROUND OUR MAJOR CITIES, ESPECIALLY ATLANTA. BUT THE POINT THAT THE GOVERNOR WAS MAKING, WHICH I THINK BEARS REPEATING, WAS THAT WE SHOULD BE VERY CAREFUL IN OUR PUBLIC DEBATES IN DIVIDING OUR STATE ALONG THESE LINES.

DO WE HAVE ANYTHING TO GAIN BY PITTING THE RURAL RESIDENTS OR GEORGIA AGAINST THE URBAN RESIDENTS? THE ANSWER IS NO. THERE IS NOT A SINGLE GOOD REASON WHY THIS SHOULD HAPPEN.

ATLANTA DOES NOT COMPETE WITH CAMILLA. ATLANTA WAS NOT IN COMPETITION WITH SYLVESTER FOR THE DEMOCRATIC CONVENTION. ATLANTA COMPETES WITH ORLANDO, WITH CHARLOTTE, WITH DALLAS-FORT WORTH AND WITH CHICAGO.

THE FACT IS THAT NOT ONE JOB WILL BE CREATED IN PEACH COUNTY BY FAILING TO ACCOMMODATE THE GROWTH THAT IS OCCURRING IN GWINNETT COUNTY.

THE GROWTH OF THE ATLANTA METRO AREA IS A BLESSING FOR THE STATE OF GEORGIA. IT SHOULD BE NURTURED AND ENCOURAGED AND ACCOMMODATED WITH THE NECESSARY INFRASTRUCTURE.

BY THE SAME TOKEN IF WE CAN BREAK THE CODE THAT WILL ENCOURGE AND CAUSE ECONOMIC GROWTH IN OUR RURAL AREAS WE SHOULD DO THAT AS WELL.

GEORGIA WILL BE STRONG IF IT HAS STRONG URBAN AND RURAL AREAS. IT WILL BE WEAK IF OUR PUBLIC DISCOURSE BREAKS DOWN OVER PITTING RURAL AND URBAN PEOPLE AGAINST EACH OTHER.

THANK YOU VERY MUCH FOR THE OPPORTUNITY TO MAKE THESE POINTS.

Senator NUNN. Thank you, George, I appreciate you being here and appreciate your continued excellent leadership.

Next we have Bill Faulkner. Bill serves as vice chairman of the Georgia Ports Authority, he is also our neighbor in Macon, GA, senior executive vice president of the C&S National Bank. Bill has been involved in industrial development and promotion of the middle Georgia area for a long time before he became a promoter of the whole State with the Georgia Ports Authority and I know that Bill will have some interesting comments about the Port Authority and the ports of our state and what they bring to us in the way of economic development and international development. Bill.

**STATEMENT OF WILLIAM O. FAULKNER, JR., VICE CHAIRMAN,
GEORGIA PORTS AUTHORITY, SAVANNAH, GA**

Mr. FAULKNER. Thank you, Senator Nunn, Senator Fowler. Let me tell you how much I do appreciate the opportunity to be here today representing the Georgia Ports Authority.

Created in 1945 by an Act of the General Assembly, the Georgia Ports Authority was charged with the mission of developing our State's international trade.

To this end, the State of Georgia now maintains and operates modern deepwater terminals in Savannah and Brunswick and inland port terminals in Bainbridge and in Columbus.

Our first deepwater berth opened in Savannah in 1953 and generated some 230,000 tons of international cargo that first year.

Today, over 7 million tons of cargo cross over our State docks annually creating some 49,000 jobs throughout the State, providing over \$900 million in personal income; \$125 million in tax revenues and generating \$3.8 billion in revenues to Georgia's business, industry and agricultural interest.

To what advantage does this international trade play on the marketing of rural Georgia? A look at the top 10 export tonnage commodities through the Port of Savannah answers the question. The top 10 export commodities consist entirely of products from forestry, mining and yes, agriculture.

Breaking down the three categories of commodities, I am speaking of woodpulp, kraft paper, tall oil—turpentine—wood chips and resins from the forest of Georgia; wheat and soybeans from the farms of Georgia and gleaming white kaolin from the mines of Georgia. Visualize if you will the origins of these 3 million tons of export products valued at \$677 million in 1985 and you will have a grasp on the marketing potential of rural Georgia in the international marketplace.

Rural Georgia is the prime beneficiary of our State's expanding foreign trade markets.

Statistics on the dollar value of exports for 1986 will not be available until later this month. However, I am sure that the top 10 commodities will still be a combination of forestry, mining and agriculture. With the reduction in soybean and wheat production, peanuts will probably take the lead in agricultural exports.

The Ports Authority role in marketing rural Georgia is twofold. First to provide modern, efficient port facilities to expedite the flow of international commerce. The State has expended some \$300 mil-

lion in the past decade expanding its port facilities. Today our deepwater ports at Savannah and Brunswick are second to none in the Nation and provide the Georgia shipper with the most economical overseas gateway for his products.

Over-tonnaging and a troubled world economy have steamship lines operating at mid-1970 rates. They in turn are pressuring agents, forwarders/brokers and the ports they call on to hold the line on costs. Deregulation has spawned a whole new set of companies and practices on the inland side. Throughout the transportation and support sectors, pricing pressures are more intense than ever. Our job as transportation providers is to achieve efficiencies that will keep prices at the lowest level possible consistent with competitiveness, corporate solvency and a reasonable profit margin. To do this, we look to areas as diverse as improved productivity, expanded provisions of intermodal services, increased reliance on computers for paperless processing and development of equipment and facilities that will maximize cargo throughout. The common thread that runs through all of these areas is technological innovations.

Georgia's world-class ports will continue to expand by planning, designing and constructing shoreside facilities which will reflect the need to accommodate an evolving world fleet.

It is difficult to say what the Savannah and Brunswick harbors will look like in 15 years; but I can assure you, that from a cargo handling point of view, they will look exactly like they need to.

The constant evolution of Georgia's port system guarantees the Georgia shipper an efficient economical means to transfer his products to world markets.

The second phase of this marketing concept involves the Authority's Trade Development Division with offices in Savannah, Brunswick, Atlanta; Chicago; New York; Oslo, Norway; Athens, Greece; Tokyo; Hong Kong and a joint office with Industry and Trade in Seoul, Korea.

The prime objective of these offices is to promote and stimulate additional trade and steamship services through the ports of Georgia. In establishing new and expanded steamship services to the ports of Georgia, they set off a chain reaction of accelerated imports and exports needed to fill the new ships. This increase in international trade provides ever expanding global opportunities for the marketing of rural Georgia.

Thank you very much.

[The prepared statement of Mr. Faulkner follows:]

NUNN AND FOWLER

RURAL DEVELOPMENT HEARING

Monday, July 20, 1987

FORT VALLEY STATE COLLEGE

Testimony of:
William O. Faulkner, Jr.
Vice Chairman
Georgia Ports Authority
P. O. Box 2406
Savannah, GA 31402

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the Ports of Georgia, they set off a chain reaction of accelerated imports and exports needed to fill the new ships. This increase in international trade provides ever expanding global opportunities for the marketing of rural Georgia

Senator NUNN. Thank you very much, Bill. This panel is really good a summarizing, we are moving right along.

Next, an individual I have worked with for a number of years. He has done an excellent job as Georgia's forestry commissioner, been active in the State and national forestry programs, known throughout the industry, throughout the southeastern United States and throughout the country. John Mixon, we are delighted to have you here and look forward to hearing from you.

**STATEMENT OF JOHN W. MIXON, DIRECTOR, GEORGIA
FORESTRY COMMISSION, MACON, GA**

Mr. MIXON. Thank you, Senator Nunn.

Senator Nunn, Senator Fowler, I certainly appreciate the opportunity to appear before you at this hearing today.

As you have heard me say, Senator Nunn, several times and Senator Fowler as well, our forestry is an \$8.6 billion industry in the State of Georgia, providing employment to better than 80,000 men and women.

Senator Gillis made a statement years ago that he did not know of any place in the free world that could grow a pine tree better than we can grow it here in the State of Georgia and I have a tendency to agree with him. It is certainly one of the things we do quite well.

Senator NUNN. John, why did you limit that to the free world? Do you know something—

Mr. MIXON. I will not get into a definition of the free world. We hear about all the investments people are making in South America but I do not think I would put too many of my dollars down there, I would rather have it here in Georgia.

We have 24 million acres of forest land here in our state and about half of this is in the pine type timber and about half of it is in hardwood. Thanks to our climate and our soil, we can do a great job growing pine trees here in this State. This forest also provides excellent hunting and fishing as well as recreation throughout the State.

Our forest is a renewable resource, it is a renewable crop, one that we can plant today and start harvesting about 15 or 20, 25 years down the road. Of course a good forested area plays an important role in improving our water quality.

We have a great forest industry here in our state. If you own timber in most areas of the State you can get people to buy it at a good price. At the present time we are using more pine timber in this state than we are growing each year. That concerns us. We must turn this situation around to grow at least what we are harvesting each year.

Four years ago, we launched a major campaign, a marketing campaign, to try to convince the private landowner to plant areas back in trees when they harvest the trees. The plan has been very successful. During the first year of the campaign, we planted 370,000—I say we, this includes the total forestry community. That shattered all previous records.

Senator FOWLER. Is that private and public?

Mr. MIXON. Boths, that is the total forestry community. We do not plant all that much on Federal and State land, most of it is on private land. The next year we planted 433,000. That sounds like a lot of acres but when you are harvesting something like 625,000 we must get more acres regenerated.

We had a lot of momentum under way, and then Senator Nunn came along with the Conservation Reserve Program referred to at the start as the pine tree bill. Senator Fowler was certainly supportive of this over in the House at that time. This is definitely the greatest program for Georgia and the southeast since the days of the Soil Bank Program back in the 1950's and early 1960's.

As many of you will recall, we planted one-third of all trees planted in the nation under this Soil Bank Program. We are doing it again under the Conservation Reserve Program. Today we have 30 percent of the acreage approved for trees nationwide here in the State of Georgia. This program is converting marginal agricultural land into productive areas with trees. Much of this land should not have been put in row crops to start with, it was pushed up out of trees and put in row crops and the farmers have certainly taken a beating trying to farm these marginal areas.

During the first year of the Conservation Reserve sign-up, which was last year, 1986, we had 135,000 acres approved here in the State of Georgia to take this marginal land out of row crops and put it in trees. The first sign up for 1987, we had 125,000 acres tentatively approved and in fact today is the first day of the second sign-up for this year. This week and next week we are into another sign-up period and we are hoping for another outstanding sign-up. If there are people in the audience that have marginal land they need to go by the ASCS office and sign up for this before the end of July.

All projections indicate that we will have excellent demand for softwood timber 20 to 30 years down the road. In order to maintain our present industry and attract new industry, we must provide the raw materials necessary for this industry.

A recent study by Georgia Tech indicates that Japan will certainly be looking at Georgia for future mill sites in wood based industries. I understand recently that a Japanese company did bid on the Georgia Kraft mill and timberlands in middle Georgia that sold a week or so back. An Australian firm by the name of Pratt has purchased the Kraft paper mill, the Madison sawmill and the forest land here in middle Georgia.

I have heard George Berry say many times that most jobs were added not necessarily to our State from the thousand job plants but a lot of small ones. We had a small plant open recently in Newnan, GA. It employs 50 people, they are making table tops out of sweet gum which is one of our major hardwood species. Another company has recently located in Toccoa that employs 100 people and they are making cabinets and countertops.

The Langdale Co., an old established company in Georgia are in the process of building an oriented strandboard plant which will be really the first oriented strandboard plant that we have in the State and will employ 100 people.

So there are a number of plants on the drawing board that we think will be coming to Georgia using wood and wood related prod-

ucts. Many jobs are provided by the harvesting of the raw materials such as the Buckeye plant a few miles from Fort Valley.

We are actively seeking new wood based industries to locate in rural Georgia. As I stated earlier, I personally know of several that are looking at the present time for locations in our State.

We have assigned a forester to George Berry in Industry and Trade, working with his people, looking full time for wood using industries for our area. Our National Association of State Foresters have developed a marketing plan, both of our Senators have helped us with this marketing campaign to do something on a nationwide basis.

I see many opportunities for new jobs through small wood based industries.

An economist with the U.S. Forest Service recently calculated that for every 100,000 acres of pine trees planted through the Conservation Reserve Program could account for 10,000 jobs. Naturally all of these are not new jobs, but will provides raw materials for people to keep existing jobs.

Governor Harris has been very supportive of forestry in Georgia plus the members of the General Assembly. This past year we ran out of pine seedlings for the landowners to plant. The General Assembly approved funds for a new nursery. This year the Georgia Forestry Commission will be producing 200 million seedlings for our landowners in our State to plant.

Two weeks ago, Governor Harris announced a marketing campaign to try to encourage the private landowner that is harvesting timber to put trees back and to plant trees on the marginal areas. He met with woodlands managers in the State and encouraged them to help with this endeavor.

His goal is to at least be planting back the number of acres that are harvested each year. And to you, our Senators, again, this Conservation Reserve Program has been such a fantastic program for us.

In our State, we really have two areas of marketing to accomplish in forestry. We have to encourage the private landowner to replant the trees harvested and get trees planted on this marginal agricultural land. And then continue to find better markets, by expansion of our domestic markets and creating more export markets.

Thank you very much.

[The prepared statement of Mr. Nixon follows:]

STATEMENT DELIVERED AT HEARING ON RURAL DEVELOPMENT

Sponsored By
Senator Sam Nunn and Senator Wyche Fowler, Jr.

Fort Valley State College
July 20, 1987

By

John W. Nixon, Director
Georgia Forestry Commission

It is quite apparent to most Georgians that forestry makes a major contribution to the economy of our state. Forestry, to be specific, is now an 8.6 billion dollar industry in Georgia, gainfully employing more than 80,000 men and women.

Visit any section of our state and you will find productive forests. Georgia's forest land totals 24 million acres, with approximately half in pine and half in hardwoods. Thanks to our climate and soil, no other section of the nation - and perhaps no other site in the world - can grow a pine tree as well as we grow it right here in Georgia.

Although we have this distinct advantage over other areas of the country, we must perpetuate our abundant forests through tree planting and by natural regeneration. The forest is a renewable resource - a renewable crop - but it must be properly planted and managed if its potential is to be realized. When an acre of forest is harvested, that acre should be replanted.

It is true that we are currently growing an ample supply of timber in our state, but when we study the projections for future needs it is quite obvious that we will have to sharply increase our acreage and at the same time keep current forests in production through regeneration.

Our forest industries are currently using a greater volume of raw forest material than we are replacing through planting each year. To the landowner this means, of course, that there is a ready market now - and there will be one in the future - for those in rural Georgia who grow trees.

The Forestry Commission four years ago launched a major campaign to encourage landowners to convert marginal farmland and idle acreage to trees. In cooperation with other agencies, organizations and individuals, we formed county committees across the state. Committee members combed their counties to discuss reforestation with landowners who had marginal lands that were lying fallow or in low productive crops.

The plan was very successful. During the first year of the campaign, 370,000 acres of pines were planted. It shattered all previous records, but in the next planting season, even that record was broken when landowners planted 433,000 acres.

We were already gaining momentum, but we received a tremendous boost a little over a year ago when the Conservation Reserve Program became an incentive for landowners to plant trees or grasses on erodible lands. The program resulted from legislation introduced in Congress by Senator Nunn and was supported by Senator Fowler.

The CRP is definitely the greatest program for forestry in Georgia and the Southeast since the days of the Soil Bank Program back in the 1950's. As some of you will recall, one-third of all trees planted under that program nationwide were planted here in Georgia.

Well, we're doing it again. Under CRP, 30 percent of the acreage approved for tree planting nationwide is in Georgia. The program, of course, is converting much marginal agricultural land into profitable trees. It is essentially land that would have remained in low productivity had it not been for the financial aid given landowners.

During 1986, the first year of the program, 135,000 acres were approved in our state. The first sign-up of this year tentatively brought another 125,000 acres under CRP. The second sign-up for the year is now in progress at ASCS offices across the state. The Georgia Forestry Commission is urging all landowners who have qualifying marginal lands, and have not signed up for the program, to investigate the plan before the sign up period closes on July 31.

All projections indicate that we will have an excellent demand for softwood timber 20 to 30 years from now. In order to maintain our present industry and attract more forest based industry, we must provide the raw materials.

A recent study by Georgia Tech stated that Japan will be looking at Georgia's forests for future mill sites. I understand a Japanese company entered a bid on the Georgia Kraft mill and timberlands here in Middle Georgia. An Australian firm by the name of Pratt has purchased the Kraft paper mill, the Madison sawmill and the forest land that Georgia Kraft had for sale.

Recently a German company established a plant in Newnan called Werzalit of America and is manufacturing moulded wood products from hardwood species that thrive in that area of our state. Some 50 people are employed.

A company called American Wood Mark is locating in Toccoa to build cabinets and counter tops and will employ about 100 people.

The Langdale Company in Valdosta is building a larger plant to manufacture oriented strandboard. Some 50 construction jobs are being provided and upon completion in December, the plant will employ 100 persons. An additional 105 will be hired in the field.

Many rural Georgians, of course, are employed in logging operations and at lumber mills, woodyards and other wood-related enterprises. Seventeen pulp and paper mills dot the state and many workers at these around-the-clock operations are men and women who live in the country.

We are actively seeking other new wood-based industries to locate in Rural Georgia. I, personally, know of several wood based foreign companies that are looking at Middle Georgia for possible location.

The Forestry Commission has assigned a forester to the export division of Industry and Trade to seek additional utilization of our forest products. The National Association of State Foresters has prepared a nationwide marketing initiative that will coordinate the search for new forest-related industries and promote export.

I see many opportunities for new jobs through small wood based companies. If we are able to provide the fiber for pulping, the logs for lumber and veneer, the wood chips for oriented strandboard, AND wood for energy and other products made from wood, I believe new industry will continue to locate in Georgia.

An economist with the U. S. Forest Service recently calculated that each 100,000 acres of pine trees planted through the Conservation Reserve Program could account for 10,000 jobs in wood based industry, plus adding millions of dollars to our economy.

To keep pace with our rapidly growing trend to plant more trees to satisfy the demands of present and future industries, the Commission this year established a new tree nursery and a crop has been planted at that facility for harvest this fall and winter. The production at the new Flint River Nursery, along with yields from the Commission's other nurseries, will provide 200 million seedlings for landowners this fall and winter. To further strengthen our campaign, a "Marketing Plan" was launched from the governor's office two weeks ago. The plan, designed to "sell reforestation" to those landowners who are not already engaged in planting trees, was

kicked off by Governor Harris when he addressed woodlands managers from around the state on the importance of working closer with the private landowner in encouraging reforestation and good forest management practices.

The goal is to have landowners replant every acre that is harvested. Private landowners possess about two-thirds of Georgia's 24 million acres of forestland, but they fail to reforest 35 percent of the acreage that is harvested in timber each year.

This panel today is addressing marketing. The forestry community is attempting to address two areas through marketing.

Number one: The private nonindustrial landowner. We want to encourage him to replant.

Number two: We want to find better markets, expansion of our present forest industry and attract every new wood-based industry possible.

Senator NUNN. Thank you very much, John.

Our next panelist is David Reesman. David is president of the Southern United Egg Producers in Decatur, GA, representing today the Georgia Poultry Federation at our hearing. And of course that is one of the real success stories in our agricultural area. Dave is considered one of the leading marketing experts in the South and his experience in marketing in his industry makes his testimony especially interesting to us today. Dave.

STATEMENT OF DAVID REESMAN, PRESIDENT, SOUTHERN UNITED EGG PRODUCERS ASSOCIATION, DECATUR, GA

Mr. REESMAN. Thank you. I too want to apologize for my late arrival. I had seconds of that delicious dinner and missed the starting time.

Mr. Chairman, I am delighted to be here with you because the subject that I am to address, the marketing of Georgia poultry products, is so exciting and so dynamic and so basic to the health and welfare of our consumers, not only Georgians but throughout the United States that I am a proud representative of this industry.

The poultry industry continues to be number one in Georgia in the agricultural segment. Georgia has over 5,000 farmer/producers engaged in the production of poultry products.

The farm value of these products is over \$1.24 billion. This dollar total ranks us second only to Arkansas in the value of our poultry products.

Up where I come from, Hall County, we are proud to claim Gainesville as the broiler capitol of the world and Hall is the leader in Georgia's billion dollar broiler industry. In the shell egg production, Georgia is third, only to California and Indiana, and generates over \$263 million.

In turkey production, we do not have an opportunity to brag much at the present time, we are about one percent of the Nation's flock. However, we are proud of the two and a half million turkeys that are raised within our State. Now this is a dynamic industry and one that has changed and continues to change.

Just to put these in perspective, Georgia was an importing state back in the thirties when Jesse Jewell was just getting started having a few thousand chickens here and there and we imported eggs back then too. But in the forties after World War II and especially in the fifties and sixties, we were beginning to feel the influence of people like the Herringtons and the Hamptons and the Houstons and the Sutherlands and the Owens and the Davises and these and others both in eggs and poultry recognized that Georgia offered many advantages in labor, climate, building material, financing and geographic location.

Now to be sure, there have been consolidations. We have experience growth in size but we have fewer business entities. As recent as 1975, there were 1200 egg producers and today 12 years later, there is only 293 and many of those are contract type producers. So under increasing competition from states who have more favorable feed ingredient costs—I mentioned Arkansas being number one in broilers now and Indiana has recently passed us in eggs—under

this type of competition, how do we maintain and indeed expand ourselves as we have in the broiler segment where we have doubled in the last 15 years, what do we do under this in the national scene?

Well Georgia has been a leader in marketing and promoting their egg products. Much of this success can be attributed to the Georgia Department of Agriculture, the Georgia Poultry Federation, the Georgia Egg Commission and the group that I represent, Southern United Egg Producers. The Federation, established in 1951 provides a unified voice to the industry in the identification and the accomplishment of objectives in industry, Government and consumer relations.

The Egg Commission was established in 1962 and has been vital in egg promotion and consumer education.

The Southern United Egg Producers, we were formerly known as National Egg Co., was established in 1966, and we banded together Georgia producers with those in other States to operate in a cooperative manner.

Of course, packers and processors have successfully identified changing consumer needs and designed products to satisfy that demand. Sure, Georgia consumers are still being offered basic poultry products as we all know them, we are still—60 percent of the eggs are sold in the carton. But only now about 50 percent of the broilers and turkeys are in the whole-body form. The other is being further processed into innovative convenience for both home as well as hotels, restaurants, institutions and fast food consumption. As you walk through the market you see the broiler and turkey parts and when you have breakfast in your local fast food, that scrambled egg came from a liquid pack of eggs.

But I would like to recall and make you aware of some of the other changes that are occurring. The chicken nuggets, a great success story. Turkey now has what is called turkey ham, turkey salami. All these wonderful gourmet entrees that contain turkey and chicken.

Now in the egg segment, we have not developed our nugget yet but I remind you of all the good nutritious foods that are further processed like salad dressing and noodles and cakes, cookies, waffles and pancakes, and so on, and so forth. And oh, yes, Taco Bell has a new chicken frajito.

Senator FOWLER. What is it?

Mr. REESMAN. A frajito—is there someone from Texas here that can elaborate on this—it must be chicken shreds cooked in with all kind of that great Mexican—

Senator FOWLER. No, I want to know what part of the chicken. [Laughter.]

Mr. REESMAN. Oh! The most delicious part.

Senator FOWLER. I see. [Laughter.]

Mr. REESMAN. Today Georgia poultry products have an important place in the national marketplace. As good as it is, the future is a bright one. The broiler industry is in a sound financial position that can enable them to promote, educate, innovate, to expand markets. In the egg segment, the flow of eggs into further processing is on the increase and we have a new breaking plant that will start up in Gainesville by August 1 and will break up to 2,000 cases

a day. And then down in this area we have another group that is putting together a breaking plant, right now they are saying in south Georgia. And this will break 15,000 cases a week and employ over 50 persons.

Legislatively we ask your support in the opposition of user fees, in the opposition of the inclusion of eggs in the Packers and Stockyard Act, in retaining the commodity distribution program as it is as opposed to a letter of credit program. And we also solicit your help in protesting the USDA certification of the Netherlands egg breaking plants.

On behalf of that industry, I want to thank you for the help that you have been giving us. I assure you that we will continue to be an important part of this State's economy and will make a significant contribution to the nation's food supply. Thank you.

Senator NUNN. Thank you very much, Dave. I have a couple of questions. My first one is for Bill Faulkner.

Bill, in terms of the Georgia ports, what do we consider our chief competition? Who are our competitors and how do we stand with them? In other words, how do you—in terms of other States, what is the measure of competition and success of Georgia ports?"

Mr. FAULKNER. The chief competition appears to be Charleston as far as we are concerned. I think that is a historical thing and it goes back a long time.

There are other ports that specialize in certain types of shipping that we are really getting involved in to a great extent. For instance, Jacksonville for years and years has been the automobile port into the South Atlantic Area but if you go to Colonel's Island outside of Brunswick, you will see 25 acres covered with automobiles getting ready to be processed and brought into the United States.

One of the biggest things of course that is going to give us a tremendous boost, and you certainly have been involved in that to a great extent is getting the new Talmadge bridge which will increase our height in mean low tide of the Savannah River by some 35 to 40 feet and also give us another 50 feet on each side of the river to increase the channel by 100 feet. That bridge, as you well know, has not been funded and will be started this year. It takes 3, 4, 5 years to build one of the doggone things.

Senator NUNN. Are we faring well versus Charleston and Jacksonville?

Mr. FAULKNER. Yes, I think we are. We have worked very hard—this is one of those things you get involved with very large shipping lines and if you will remember we lost one of ours last fall when U.S. Lines went into Chapter 11. They were 40 percent of our revenue at that time. But if you look at the current numbers on Georgia ports, you will find that the revenue has been moving along, moving up. But of course one of the strange things about it, seems very strange to me, that the bottom line is even going up faster because when you deal with somebody that gives you that kind of volume, you certainly have to give them a concession as far as rates are concerned.

We feel like we are very competitive, we think, particularly when the new Talmadge bridge is finished, that we will be certain-

ly competitive as far as Savannah is concerned and we are right on the leading edge of technology.

Senator NUNN. Thank you. I have one question for John Mixon. John, we know forest products are a huge part of our economy now. You talked about we are harvesting more than we are actually planting now and of course the Conservation Reserve Program will help on that as well as the promotional efforts that you are putting out now. But if you look at whether we have—is this a real growth industry as far as jobs are concerned or are we basically talking about holding what we have got now?

Mr. MIXON. No, sir, I think it is an excellent opportunity for growth. One of the economists at the University of Georgia talks about he saw a real opportunity for growth. I think the key is being able to continue to regenerate our forests. We have a tremendous volume of timber out there but when you get to the point that you are harvesting each year more than you are putting back, down the road you will have a problem. But at the present time, we do have a large volume of timber left and I think we are going to turn this trend around where it will work out. I see a real opportunity for growth.

Many other countries are going to have to—Sweden and several of those countries in that area of the world are producing pretty much at capacity and they have got to go to some other parts of the world for their forest products. We have got to do a better job of exporting. We have got a lot of products in this State that we can improve the rate of export but I definitely think it is a growth industry.

Senator FOWLER. Gentlemen, I thank you for the completeness of your testimony, both your summaries and the remarks that you made for the record.

There are hundreds of things that we could discuss and questions I would like to ask, but Senator Nunn, I think to use my time with four of the State's Commissioners here especially on this panel, some of whom because of other responsibilities had to miss this morning's session, I just would like to, looking at my notes here, to mention to you some of the things we heard this morning in summary and then of course any comments you would like to make would be welcome.

What we heard this morning was that with plant closings and the loss of manufacturing in our State, that for all the reasons that you all know immediately—I do not have to reiterate—agriculture is not going to be able to take up that slack in the jobs that have been lost in the manufacturing sector.

We learned that farming in Georgia is much more than ever before dependent on off the farm income; in other words, second wage earners from the family and one estimate was that almost two-thirds of all income of farm families in our State comes from off-farm employment.

And then in something that is not recognized very much by any of us, that our rural communities that have been struggling to catch up, for lack of a better phrase, primed for what I guess we will call—what I will call—1960's style growth where if you are going to do what George Berry wants to happen in a rural community whether north Georgia or south Georgia, you have been telling

them for 20 years they had to have—let me see what we heard this morning—had to have a waste disposal system, they have got to have the roads in place, got to have industrial parks, it helps to have a vocational technical center; all those things we have been preaching and now we get to the 1980's just when some of our rural communities begin to catch up, we change—we have not changed them but the ground rules have now changed. We are now saying you have got to have a skilled, educated work force, you have got to have strong schools, you have got to have extensive communication links, got to be close to a major airport.

All of these factors have now been—and many more—have been added to the list of necessities to develop and sustain economic growth. You have got a few of our rural areas fortunate enough to be vacation spots and they are doing all right.

The last panel today we are going to hear about four or five communities that are doing extremely well. But it seems to me that how these rural communities and certainly State and local—State and Federal Government working with the local government, how they adapt to these new emerging economic trends and currents, is more than anything else going to determine the prospects for prospering in the future. So we at the Federal level and State level have got to do a better job working together on these policies if we are going to have a real chance it seems to me.

Commissioner IRVIN. Senator Fowler, I think it is imperative that we have a partnership from the local to the State to the Federal Government. It is alarming when you have a setback like Moultrie had a few days ago when a major meat processing facility decided to close. The jobs that were lost there were traumatic, but you cannot—you have to look beyond that and realize that it is going to have some effect on the farmers themselves because they are not going to have a marketplace. Most likely he is going to lose some difference in the freight cost getting it to another processing facility which in many cases might be several hundred miles away.

Senator FOWLER. Right.

Commissioner IRVIN. When you have a situation like that, it makes you wonder as hard as you try to attract these industries to your State—I can think back to my first years as Commissioner of Agriculture, it was very obvious to me we needed meat processing facilities in Georgia, we had a big market built in. So I guess it is enough to keep all of us on our toes.

Mr. Berry would like to see these diversified industries move into these areas but there are many reasons why they do not go there.

Senator FOWLER. Well as we all heard this morning, we have somehow got to reorient a lot of our thinking to create the industries here and not rely on thinking we have got to seduce them into coming.

Commissioner IRVIN. We have had tremendous growth in the poultry industry right here in our own backyard and most of that is done internally by businesses that are owned and controlled by Georgians. I think that is the other side of that coin. We ought to be thankful for that.

Senator FOWLER. Well Brother Reesman when you finish all your goals with chickens, I hope you will move over to catfish.

Commissioner IRVIN. Let us not forget we have got one catfish processing facility in Georgia.

Senator FOWLER. I ain't forgot it.

Commissioner IRVIN. They tell me they have a shortage of supply, there is such a market, such a demand for the product that if he had more he could not only process them but encourage others to expand in the field.

Senator FOWLER. And the next thing we are going to hear about is goats. [Laughter.]

Thank all of you very, very much. [Applause.]

This is the panel on new ideas and it is a very distinguished one. Let us begin, since we bumped her off of the last one, with Hanna Ledford, deputy commissioner of the tourism division of the Department of Industry and Trade. Ms. Ledford has been asked to tell us a little bit about successful tourism programs that have been implemented throughout the State and I hope she will also share some ideas for parts of Georgia which have not traditionally been considered prime sites for our visitors to go to.

Hanna Ledford, welcome.

**STATEMENT OF HANNA LEDFORD, DEPUTY COMMISSIONER OF
TOURISM, GEORGIA DEPARTMENT OF INDUSTRY AND TRADE,
ATLANTA, GA**

Ms. LEDFORD. Thank you. I would like to thank both of you, Senators Nunn and Fowler, for including tourism on this agenda today. We have in the last 4 years, since George Berry became commissioner of our Department, have had a great emphasis on tourism as an economic development tool.

It is Georgia's second largest industry and employs 260,000 people statewide and it is an industry that is worth \$8.7 billion to the State. In Houston County alone, tourism pumps \$80 million into the economy and here in Peach County our figures show approximately \$20 million into the local economy by tourism.

This is a good time to be involved in tourism in Georgia because of the strong network of professionals and volunteers who are busy promoting tourism. Although it is a competitive industry, folks in the industry have now learned to understand the value of keeping the tourist dollar in Georgia. Instead of competing with one another, the folks on the coast are helping to promote middle Georgia. Folks in middle Georgia are helping to promote the mountains. They finally seem to understand that their major competitors are other States and not one another.

If this industry were not strong in Georgia, there would be approximately 175,000 people on the welfare rolls that are not there now. The reason being that this industry does employ the young, the old, and the uneducated. That is one of the things that I believe brings tourism home so to speak in rural communities.

The second factor that makes tourism very important to the rural economy is the fact that our research shows that the tourists like to get off the interstate. We have had these interstates for about 25 years now and we are getting tired of them except for those of us who need them for business purposes. We are finding that our travelers are ready to get off the fast track so to speak

and get into the backroads of the State. They are interested in re-tracing their own history, they are interested in the history of other areas, they are particularly interested in the history of people who are famous who have lived here. They are also interested in the simple pleasures in life, going back home, going back to the simple pleasures.

In describing these desires and wishes or trends for tourism, we sort of paint a portrait of rural Georgia. What better place to enjoy the simple pleasures of life than at a peach stand here in Peach County, or what better way to have a nice pleasant surprise is when you are going down the road not far from here and come into Marshallville. Also when you are looking for history, very close to us here is the story of General Robert C. Scott, author of *God is My Co-Pilot* at the Warner Robins Aviation Museum. So it is all here, it is all right here, what the tourist is looking for. But how in the world do you let the tourist know it is here? And of course marketing is the answer.

And marketing, being able to let the tourists know how to come here, how to enjoy it once here, how to get the most out of it and more importantly, how to spend those dollars here.

Two of the most successful marketing ventures in rural Georgia in our opinion from the tourism standpoint are the Andersonville Trail which is very near here and the Antebellum Trail which is also very near here. Both of these have good histories of success. They are marketing successes because the people who are involved in them have come together and worked together and used their own initiative and their own creativity. And here again, rather than competing with one another as communities, they are working together. They are making it easy for the tourists to find them, to understand how to get from one city to another, to understand how to enjoy what there is to enjoy there and from one destination to another.

In thinking of marketing and thinking of ways to bring people here, we do not want you to be frustrated by that word marketing. So many times marketing is synonymous with money and dollars. Yes, it does take dollars to market on a large scale but these folks did not have dollars. They had an idea and they knew that they had to appeal to the tourists so they were able to use their ingenuity and their creativity to market themselves.

Tourists are eager for these experiences. Basically all you need to do is to focus on what you are trying to sell, understand what your product is, understand what the tourist wants and how he can enjoy it, and to interpret that so that the tourist understands it and enjoys it.

The average family of four in middle Georgia spends \$212.68 a day while on vacation in this area of the State. At the State level, we would like to see more of those dollars left here in Georgia, in rural areas particularly.

We offer assistance three ways to smaller rural communities; a hospitality training program to address problems of the unskilled and uneducated to make their jobs more meaningful and to make them productive in their jobs. We have a product development evaluation program. One of the closest results of product development is the brand new Peach Blossom Trail, which originates here

in Peach County and was just officially designated I think about 6 weeks ago. What we do with product development is we bring a marketing consultant into an area and take a look at potential projects for tourism and give some guidance to the local folks about achieving their goals and developing potential.

Another program of ours is we have a member of our staff in eight multi-county regions around the State. They are called Regional Representatives. The one located in Milledgeville serves Peach County and is available to help folks who want to start tourism projects, to give them some guidance and act as a liaison with our office in Atlanta.

Our Georgia Tourism Conference annually selects different cities around the State so that we can understand what there is to offer in those destinations that are not quite as well known as our mountains, Atlanta and our coast. This year, the 1988 Georgia Tourism Conference will be in Albany and part of the program will be to discover what southwest Georgia has to offer. That is an advantage because people in the industry who attend the conference and also the media who cover the conference. That gives folks a real good idea when they go back to the coasts or the mountains of what there is to promote here in this part of the State.

We thank you for your time today and for including tourism.

Senator FOWLER. Thank you very much, Ms. Ledford, and I appreciate your summarizing. I have to echo the comments to this panel of Senator Nunn. We have got one other panel to follow, so to the extent that you can be brief in your summaries, the full statement is made a part of the record and we hope to have some time for discussion.

I think you have to pass the microphone down, but let me go next in the order here to Dr. Bill Flewellen, who, as most folks know, is the distinguished head of the Small Business Development Center at the University of Georgia.

Dr. Flewellen.

STATEMENT OF DR. W.C. FLEWELLEN, JR., DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER, UNIVERSITY OF GEORGIA

Dr. FLEWELLEN. I hate to have to summarize. I have a paper, it says some real good things about my work. A summary is going to hurt. But you and Senator Nunn know about as much about the SBDC as I do, and that is part of the new idea I am going to be talking about. In fact, if it were not for you, we would not have an SBDC anywhere in the United States.

You were also familiar with the objectives of the Southern Growth Policies Board before today, and you were reminded of it today. The new program within the SBDC that I will describe addresses five of the objectives of "Halfway Home and a Long Way to Go" and all of the objectives of "Shadows in the Sunbelt".

I am going to remind you that 10 years after you helped start the SBDC that the SBDC in Georgia reached 36,000 small businessmen last year, 16,000 in counseling and 20,000 in management training. We found that we cut the failure rate of businesses that we helped start to 3.2 percent annually.

Under new ideas that I am going to talk about is a program that came out of our basic services to individual businesses. In talking with communities in rural Georgia, we came to the conclusion that if we took those services to a small town, say like Blakely, that we would have significant economic impact and would be building from within as suggested by the Southern Growth Policies Board.

What we are planning to do is ask the communities for a commitment of half a person from the Chamber, a bank, one of the public utilities. Then we will bring counseling into that community. We have 18 offices, and we expect to add 31 chambers of commerce but we are still, say in Blakely, only reaching three people a year. If they are willing to work with us, we would like to take counseling in and try to make it available to every firm in that town that is willing to let us work with them. We will take management training in, and we are told by 50 percent of the firms that take our management training that they put some of the ideas to use in their businesses.

Then we have a retail model that we believe enables us to tell which opportunities are not being used in 26 retail categories. We would do feasibility studies on the best three opportunities and take those studies into the local community, urge them to try to find venture capital, let us help advise them on getting into this; it might be an expansion, it might be a new business.

Then we would study the feasibility of an incubator for small business. The Small Business Development Center is operating an incubator now in Athens. It has five clients, it is brand new. We need more space already in 6 months. It might be feasible for a profit-making venture, it might be feasible only for a public venture. We would work with the community to establish this incubator and get it started.

We think it would be essential for the financial institutions to develop some sort of lending program for start-up businesses, and the community would have to be willing to work in that direction.

We have found that we can go into a manufacturing plant, especially, and if they are not bidding on Federal or State business we can lead them into that. At the present time, every day we get the DOAS requests for bids for the day and match them with 2000 vendors and mail letters to these matches on a daily basis.

The city of Macon has now been added to our list of bidders, and we are working to put the Federal Government in.

We also have an International Trade Development Center and we would work with the firms to move them into exporting. We have a young man that was an export manager for a Georgia industry who increased their export sales from five percent to 30 percent of their gross sales in a 5-year period. He recently got a call from a contact in Venezuela. The Government there has decreed that all commercial transportation have diesel engines, and they do not have enough diesel engines to convert. He found a firm in Atlanta that makes diesel engines, or at least handles them, and they now have an order for 300 diesel engines for Venezuela.

We also have a data base that converts United Nations data so that we can, for any product down to the level of SIC codes, tell you the 10 countries that import the most of those products, and

we can put the company in touch with those and have one of the counselors that we have help them through the rough spots.

We also have a program that puts profit-making businesses in high schools. We are going to put a goat dairy in—I keep calling it Cullman because I grew up in Alabama—Cumings. It is going to be financed by the Catholic Church but high school students are going to run the cheese processing plant. We are working with a group of farmers to supply the goats. We will put a high school-based industry in the high schools in the communities that are involved with our program.

Then the J.W. Fanning Community Leadership Program has agreed to move into those communities and put in one of those community leadership programs that you already know about and develop the leadership with a little more economics in it.

The last thing we found we were going to have to urge each community to do—and this is not our line of work—is to mount an attack on illiteracy. I do not know whether anybody knows how to do that. We know how to do it over a 50-year period; you just educate the young and let the old die. But that is not what I am talking about.

Senator FOWLER. That is what we have been doing.

Dr. FLEWELLEN. There is a volunteer program nationally and a very good example of it is in Elberton. We have been talking with Ms. Betty Williford, who has 63 volunteers working with 90 illiterates, and they seem to be having good success.

We believe that if we put all of this together, and we will try this year in some communities, that we will have a new idea working toward economic development in rural Georgia, and we will keep you posted as we move along.

Senator NUNN. Bill, could I ask how many communities are you going to be able to tackle at first?

Dr. FLEWELLEN. We have asked for a grant. If we get the grant, we can start with four; if not, probably one. We need a coordinator and a secretary and someone, a part-time graduate student, to do feasibility studies and a half-time person in each community. We would start with four; we might try to do six.

[The prepared statement of Dr. Flewellen follows:]

STATEMENT OF DR. FLEWELLEN

Introduction

I direct The Institute for Business at The University of Georgia. The Institute for Business has three major units. One provides management training for large businesses. The other two, an incubator for development of bio-tech businesses based on University research and other small businesses, and the Small Business Development Center provide vehicles for economic development through small business development.

For decades economic development in rural Georgia has placed major emphasis on the attraction of industrial plants, as has economic development throughout the nation. Recently many persons interested in economic development have begun to recognize that economic development through small business development should be a significant part of economic development. Two studies sponsored by the Southern Growth Policies Board, The Report of the 1986 Committee on the Future of the South: Halfway Home and a Long Way to Go and Shadows in the Sunbelt, a Report of the MDC Panel on Rural Economic Development, concluded, in general, that economic development through attraction of large industrial plants is no longer sufficient.

Shadows in the Sunbelt found "Manufacturing: a Savior No More" and "Agriculture: the Roots of the Southern Economy in Trouble" and recommended "The purpose of alternative development strategies is to stimulate economic activity by assisting rural communities in taking advantage of these opportunities for local development. This can be achieved by providing a number of valuable services to local communities and entrepreneurs, such as:

- planning and organizing, including market research and community education
- provision of technical assistance and financing for new and expanding local businesses
- direct involvement in enterprise development

All of these objectives are addressed by the SBDC program for community economic development through small business development."

The Halfway Home and a Long Way to Go report listed ten objectives. Five of them are addressed by the SBDC program. These five are:

1. Mobilize resources to eliminate adult functional illiteracy by 1991.
2. Increase the economic development role of higher education by 1991.
3. Implement new economic development strategies aimed at home-grown business and industry by 1992.
4. Develop pragmatic leaders with a global vision by 1992.
5. Provide a nationally competitive education for all Southern students by 1992.

The Georgia SBDC

The SBDC in Georgia has a ten-year history of success. In 1987-88 it will deliver services through a network composed of 4 regional centers, 6 district centers, 4 subcenters and 46 satellite operations. To deliver services, it will work through 2 universities, 10 state colleges, 4 junior colleges, 8 vocational technical schools, 2 economic development agencies, 1 area planning and development commission and 31 chambers of commerce.

In 1985-86 the SBDC received 16,918 requests for assistance and offered 849 management training programs to 19,996 small business owners and employees. Over ten years, requests for counseling have increased at an average annual rate of over thirty (30) percent. Participation in management training courses has had an average annual increase of over twenty-five (25) percent.

An Office of Minority Business Development takes services to the minority business community. Twenty-three (23) percent of SBDC counseling has been for

black businesses, although only seven (7) percent of the businesses are owned by minorities. Sixteen (16) percent of those attending management training programs have been minorities. An International Trade Development Center encourages small businesses to export and provides information and counseling. A Center for Business and Economic Studies works with business firms, community leaders and state agencies on studies related to small business.

Three programs for youths are in operation. In one program, black youth are annually invited to programs on each of six college or university campuses for two-and-a-half days of orientation to higher education and business. Follow-up of the 75 that attended the first two programs (5 and 6 years ago) indicates that 75 percent enrolled in an institution of higher learning. In another, 100 black college students are placed in 100 successful black-owned businesses for 6 weeks internships. The third program places profit-making businesses in high schools. The businesses are managed and operated by the students with a faculty advisor. The Hartwell, Georgia, program is cited in Shadows in the Sunbelt.

An incubator program is in the first stages of implementation in The University of Georgia SBDC. Three businesses, two of which are bio-technology firms, are in operation. Applications from two others are being processed. Demands for incubator space and services appear to be strong.

A procurement program daily matches state requests for bids for goods and services with 1500 small businesses and informs those with matches. The City of Macon has also been added to the system. Plans call for inclusion of federal requests for bids and inclusion of large corporate buyers of goods and services as resources permit.

The SBDC Program for Community Economic Development through Small Business Development

Impact studies that showed the economic impact of the counseling services to individual firms, plus studies that indicated that requests for ~~services~~ generally came from the immediate vicinity of office locations, led to development of a program, The Community Economic Development through Small Business Development Program, that will take SBDC services to a rural community. Selected communities that show a strong commitment will be inundated with SBDC services.

The program consists of the nine segments briefly described below:

1. Provision of Counseling

SBDC counseling will be made available in the community, and all small businesses will be urged to use it. Impact studies indicate that counseling increases employment in on-going small businesses and reduces the failure rate of new businesses.

2. Provision of Management Training

SBDC management training courses improve the efficiency of small business owners. Participants indicate on follow-up evaluations that 50 percent apply new ideas in their business as a result of attending courses.

3. Application of the SBDC Model to Determine Unused Opportunities in Retail Services

The SBDC has developed a computerized model that compares activity in 26 retail categories of goods and services with the activity that would be expected in the community. Feasibility studies are developed for the three most promising categories. The studies are given to the community leaders who are assisted by the SBDC in finding investors who will explore the

opportunities further and establish businesses if findings are positive.

4. Study of the Feasibility of Establishing an Incubator for Small Business

The SBDC would study the feasibility of establishing a small business incubator to be operated on a "for-profit" basis as a privately-owned enterprise or on a "non-profit" basis as an economic development project for the community. If findings are positive, the SBDC will work with developers on the implementation of the project.

5. Development of a Lending Program

The SBDC will work with community leaders to develop, through financial institutions with interests in the community, a lending program for small businesses for both the present businesses and new ones.

6. Review of Operations of Manufacturing Establishments

The SBDC has a program that provides small businesses with timely information about state and federal requests for bids for provision of goods and services. Establishments not bidding on government contracts will be matched with the appropriate bids and counseled about bidding and dealing with governments.

The SBDC has an International Trade Development Center which counsels firms that want to export. The ITDC has a data base, XIS, that, through reclassification of United Nations trade data, can provide a report of the ten nations that import the greatest quantities of a product. Other data bases provide names of appropriate firms in these countries. Establishments that are not exporting will be counseled to do so and will be assisted by SBDC counselors.

The SBDC Center for Business and Economic Studies has successfully developed feasibility studies for firms that want to explore the addition of other products to their line of goods or services. One firm which manufactures ladies' apparel was advised to consider the manufacture of water bed linens. The firm converted to water bed lines and in three years their sales increased from \$500,000 to \$5,500,000. The SBDC will work with firms in the community to explore the feasibility of producing other goods or services.

7. Establishment of High School-based Businesses

The SBDC, in cooperation with the Georgia Center for Community Education, works with community leaders and high school officials to establish profit-making businesses in high schools. The businesses are operated by high school students who work with a faculty advisor. The SBDC does the necessary feasibility studies, trains the student operators and counsels them as counseling is needed. One such venture is quoted in Shadows in the Sunbelt: A Report of the MDC Panel on Rural Economic Development, May 1986, page 12.

8. Implementation of Community Leadership Development Programs

The University of Georgia J. W. Fanning Community Leadership Development Center has a long history of successful delivery of its programs throughout Georgia. It will establish programs in communities in which the Program for Economic Development through Small Business Development is placed.

9. Initiation of an Attack on Illiteracy

Functional illiteracy in many rural counties in Georgia is estimated to be as high as 20 percent, and hard core illiteracy an additional 20 percent. A model for a volunteer effort has been

developed in Elberton, Georgia. Through community efforts under the leadership of Ms. Betty Williford, 60 volunteer teachers have been trained and work continuously with approximately 90 adults. Results have been gratifying. With SBDC leadership, this program will be transferred to each community involved in the economic development program.

I propose that economic development through small business development is an essential part of rural economic development and that vehicles and methodology are available for implementation.

Senator FOWLER. Thank you so much, Dr. Flewellen, for the fine, fine job. We are excited to hear about the future.

Before I introduce Mr. Paige, I have a statement here from the Oglethorpe Power Corp., Mr. F.F. Stacy, Bud Stacy, president, that I want to make a part of the record.

[The prepared statement of Mr. Stacy follows:]

Oglethorpe Power Corporation

2100 East Exchange Place
P.O. Box 1349
Tucker, Georgia 30085-1349
(404) 496-7600

July 20, 1987

Honorable Sam Nunn
United States Senate
303 Dirksen Building
Washington, D. C. 20510

Honorable Wyche Fowler
United States Senate
203 Russell Senate Office Building
Washington, D. C. 20510

Dear Senators Nunn and Fowler:

As the power supplier for 39 of Georgia's 42 rural Electric Membership Corporations (EMCs), and on behalf of their consumer-owners, Oglethorpe Power Corporation commends and supports your efforts in holding this rural development hearing today in Ft. Valley, Georgia.

We believe that the economic depression apparent in so many of the state's rural communities is the result of several factors: among them, the current farm crisis and the erosion of farm-related and textile-based economies. We are acutely concerned with this problem, since our 39 Member-EMCs serve the bulk of the state's farms and rural areas.

There are, of course, no easy solutions. However, we feel that the location and expansion of new industry into the state's rural areas offers great hope for addressing these concerns. Not only would industrial expansion stimulate the economy through the addition of jobs and related benefits, it would also provide opportunities for EMCs to add industrial loads to their systems. The addition of such new loads helps to keep power costs lower and, thus, contributes to the economic well-being of rural areas.

Soon after its founding in 1974, Oglethorpe Power initiated an aggressive economic development program that has assisted in the promotion of Georgia for commercial/industrial development and expansion. The Board of Directors and management of Oglethorpe Power have steadfastly supported and enhanced these efforts, with the acknowledgment that rural areas must benefit from the state's abundant growth, or further suffer the consequences of continued economic depression.

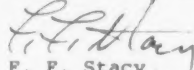
An Electric Membership Cooperative

Senators Nunn and Fowler
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As the President and Chief Executive Officer of Oglethorpe Power Corporation, I pledge to you our continued effort -- through our Corporate Affairs Division and Economic Development Department -- in addressing the needs of our state's rural areas. In that regard, the resources of our Corporation are available for your use at any time.

Thank you for the opportunity to include this statement into your hearing record.

Very truly yours,



F. F. Stacy
President and
Chief Executive Officer

FFS:jsn

Senator FOWLER. Next we have Mr. Ralph Paige, who is executive director of Southern Cooperatives, working extensively in our rural communities. I think he will talk about processing plants. Welcome Mr. Paige.

**STATEMENT OF RALPH PAIGE, EXECUTIVE DIRECTOR,
FEDERATION OF SOUTHERN COOPERATIVES, ATLANTA, GA**

Mr. PAIGE. Thank you very much, Senator Fowler, Senator Nunn. I would like to commend you both for having these rural development hearings. They are timely and are especially important as we look at what is happening to the family farmer and especially the minority farmers who have been under great pressure and crisis for a long time. We find that the traditional problems that affected them coupled with other crisis that strikes, last year's drought and currently there are less than 50,000 black farmers in the whole U.S., less than four million acres of land in the black community and they are into a real crisis.

This is very timely. Hopefully the results of this hearing and other hearings that you have will make a positive impact on our legislators in Washington and we can get something done to reverse the trend. It is needed and we certainly appreciate that.

As you know, the Federation has been working for the past 20 years in rural development throughout the South and in Georgia, working in agriculture developing cooperatives, credit unions, housing cooperatives, marketing cooperatives, processing plants, trying to find alternatives for various rural communities in the southeast to make some way that farmers and rural families can make a difference in their lives.

Very briefly I want today to talk about several projects, processing projects that we have on the drawing board, very fine new ideas that we will implement. I think Commissioner Irvin talked earlier about the plant closing in Moultrie, a meat processing plant. I would like to just say very briefly, you know, of all the counties in the State of Georgia and various counties around other States, I do not think we can look to get a Fortune 500 company in every particular county. Even if they did and something happened and you have 100 people, when that plant closes all the jobs are gone. I think we need to look at some other type of training as well as that, maybe small processing plants, cottage type industries that will hire 15-20 people. If one closes, you have something else to look to. All the jobs will not be gone, only part of them. So I think small processing plants offer some viable alternatives for many of these communities.

And in many cases it can be done on a self-help basis, it can be done out of the resources like other panels talked about this morning, from the community, it can be done with just creative activity and that is what—one example of what we are doing at the Federation level and the newest example possibly is the pickle company and this is in Alabama. We have got an initiative going with Burger King where we signed a letter of agreement to put in the pickle processing plant with several small owners in that community that grow cucumbers and they have to ship them out of town as far as Michigan in order to be processed and shipped back. The

general idea is that the 200 farmers would be part owners in a cooperative venture to provide and sell 8 million pounds of cucumbers to Burger King. In addition to that it would create 25 permanent jobs on a local level and the local community commissions have already worked to get a site and industrial plant and float a local bond to finance that.

Senator FOWLER. Are these burpless cucumbers?

Mr. PAIGE. Sir?

Senator FOWLER. Are these burpless cucumbers?

Mr. PAIGE. They are slices.

Senator FOWLER. OK.

Mr. PAIGE. We are real excited about it and feel that is going to push us off. In addition to that, last year the Southern Cooperative development planners received close to \$4 million in loan money available for that project. We in the State of Georgia will be helping put together some packages for various new enterprises like this, hoping to be able to get our share of that money.

Next I want to speak about a small meat processing plant that we worked with in Burke County. We worked very close with this particular project with staff of the Georgia Department of Agriculture. Eventually we had 20 or so small farmers included in breeding stock supplied by FSC through a feeder pig project. Later on, within 2 years, we were able to package and put in a meat processing plant, we package the deal—we were able to locate the financing for it and it provides a market for 20 families, in addition to providing a market it provides full time jobs—four full time jobs and of course it is a good source of nutrition and low-cost food for people in the community. We think this is another fine example of what a community can do for itself in working on the problems at hand; such as unemployment, training, and other things like that.

Next we are working on another project in Atlanta, this is in Carver Homes and we are breaking ground very soon. It is a factory, a sewing cooperative that will be owned by the residents of Carver Homes, it will employ 75 people, these people were formerly—are currently on welfare, we are relieving the welfare rolls of that many participants and provide jobs and incentives. This facility will have day care, training for residents there. Groundbreaking will be handled in the next few weeks. This project is being put together with a community development block grant of \$435,000, and we are providing the technical support for the group.

These are the type projects we feel are very important for low income communication.

Another case in Alabama let me mention very quickly, a quilting bee sewing co-op. This is made up of former farm families. We put them together in a self-help cooperative enterprise making quilts, using their skills in sewing quilts. Those quilts have had national attention, won all types of awards and recognition. In addition to that, because we know that we cannot make enough quilts at \$400 to keep people employed, we have been able to get a contract with Sears, Roebuck & Co. which they are now making pillowcases. Last year they employed 20 people full time making pillowcases. We are providing training for that. It is probably the largest employer in that little town.

In addition to those types of things we have been involved in a tomato processing plant in Florida, a plant where small farmers get together to market collectively where they have enough volume to process, pack, and ship.

Now one thing we would like for the Senators to do is put forth some type of incentive for companies like Burger King, like Sears and other companies who would contract with minority firms or with small cottage industries in depressed communities to give them some type of incentive where they would, instead of going to Taiwan, instead of going to other countries, they would contract with a Carver Homes cooperative to make special products. Can they compete, yes they can compete because they own the plant, do not have the type of overhead that the large concerns have and are not looking at taking a large profit, they are looking at a marginal business, break-even, but they are looking at owning the business, controlling it and providing an income and developing skills for their families. So I think it is good to look at that, and the whole fast food industry because there are many opportunities in that if they would buy, say the meat processing plant in Burke County, we are going to start making sausage and we hope we can go to a fast food and sell those. We are—they are USDA inspected and they can do the job. On the other hand, we worked with a chicken processor to get a black firm in Greene County to grow chickens for the marketplace. The operation now is working through Cagle's and they are taking his chickens, McDonald's, and making nuggets out of those chickens.

And that is another initiative that we have been able to put together over the last several months and to make it work and now he is in a productive part of agriculture rather than growing soybeans and other things where he is losing everything.

Thank you very much. I tried to do it in 5 minutes.

Senator FOWLER. You did a good job. Very specific success stories of what can be done, Mr. Paige, thank you for your participation.

Next we have Dr. Melvin Walker, who is the Director of the Agriculture Research Station here at Fort Valley State College, and he is going to be telling us, among other things, about the extensive goat program here. You are the star, we have been waiting to hear about the goats, Dr. Walker.

STATEMENT OF DR. MELVIN WALKER, DIRECTOR, AGRICULTURE RESEARCH STATION, FORT VALLEY STATE COLLEGE, FORT VALLEY, GA

Dr. WALKER. Thank you, Senator Nunn and Senator Fowler and other distinguished guests, it is a pleasure for me to appear before you on behalf of the Fort Valley State College Agriculture Research Station. I am equally pleased to learn of your continued commitment to the social and economic development of rural Georgia as exemplified by your actions and presence here today. It is this kind of leadership that has made Georgia what it is today and it is this kind of leadership that will make Georgia what we want it to be tomorrow. We are indeed grateful.

Many of you are probably wondering why anyone would want to talk about goats at a rural development hearing or, for that

matter, why anyone would want to talk about goats anywhere. I will attempt to answer these and other questions as they relate to goats as an alternative for Georgia agriculture.

Before I begin, however, I would like to take this opportunity, as director of the Agriculture Research Station, to bring greetings from members of the faculty and the staff; to say a brief word about our research program; and to let those who do not know, know that we do more than just work with goats here at the station. Our station consists of about 450 acres of land; 43 full-time employees, 21 scientists and 22 support persons; 22 active projects in home economics and social, plant and animal sciences and an excellent physical plant to accompany the land base. We are engaged in a variety of studies aimed at enhancing the competitiveness of Georgia agriculture and the quality of life of rural Georgians.

About 4 years ago, during a period when Georgia's agriculture was floundering, we began to search for new ideas and ways to slow the decline. The agricultural economy was plagued by declining prices for farm products, increasing prices for farm inputs, unfavorable weather conditions, changing consumer patterns and declining international markets for our farm products. In short, producers were caught in a cost-price squeeze and were left with few places to turn.

It was clear to us that the ways of the past would have to be changed. The reliance on corn, soybeans, wheat and other agronomic crops was not in itself the answer. Our search led us to consider a number of non-traditional horticultural crops as well as a number of non-typical livestock enterprises.

Goats had been discussed for a number of years among members of the Fort Valley State College/University of Georgia Joint Agricultural Committee, as well as among colleagues throughout the United States as a potential complimentary enterprise. We selected the goat as one of the new enterprises toward which we would direct some of our resources. As you may imagine, the announcement of this decision was met with chuckles and several unpleasant statements. In fact, this idea was to many as foolish as the announcement by the Wright Brothers that they were going to fly and nearly as foolish as the announcement by a Mississippi State University professor back in the fifties and sixties that he was going to study the potential of commercial production of catfish. We took a great deal of comfort in noting that both ventures have been successful; that research should be in the forefront—taking the lead; and we began to explore the possibilities.

We learned that the demand for goat products, particularly meat and meat-related products, is expected to increase significantly by the year 2000. Goat meat is consumed by a large and increasing segment of the general population on holidays and other special occasions. It is consumed daily by some segments of the population—primarily people of Hispanic origin. According to the Bureau of the Census, persons of Hispanic origin will constitute the largest segment of the United States minority population by the year 2000—a little more than a decade away. These persons are currently concentrated in selected areas of the United States including Florida and other States along the east coast with large populations in

Connecticut, Massachusetts, and New York—markets that are accessible to Georgia producers. Demands for these products is expected to increase in direct proportion to increases in this segment of the population. Consumption by the general population of specialty products made from goats meat and milk is also expected to increase.

Other advantages of the goat, beyond low-cost meat and gourmet milk products are: (1), Its potential for use in forestry and waste-land management; (2) its ability to utilize low quality forage, and; (3), the low start-up investment required. As you know, Georgia is among the leading states in forested areas. Goats can be used, with proper planning, as a forest land management tool while at the same time providing a source of income. Goats are also well suited for marginal land. A recent study by one of our scientists noted that goat owners and producers are concentrated in north Georgia—an area where marginal land is readily available and where ground water and productive flat lands are not as abundant as in south Georgia. Goats offer an alternative for these producers in other parts of the State with a ready supply of marginal land.

Before this potential can be fully realized, however, a great deal of work must be done. Most noted is work in the areas of nutrition, reproduction, environmental stress, health care, product development, economics, production and management systems and especially product marketing. And last but not least, this information must ultimately be made available to the producer. We at Fort Valley State have begun to address these needs. A booklet in your packet presents our facility and outlines our research and extension programs. This booklet is included as a part of this presentation for the record. With continued support from the Federal Government and increased support from the State, the plans outlined in this booklet can become reality.

In closing, I trust that this discussion has served as a reminder of our responsibility to devote some resources to the evaluation of unusual and seemingly unworthy alternatives. We have all, no doubt, witnessed situations where far out and least likely alternatives have served as significant catalysts for social and economic growth.

I appreciate the opportunity to appear and look forward to further participation.

Thank you.

Senator FOWLER. Thank you very much. If you are ahead of the curve on the goats, we will watch the market and we are delighted to see your work on goats here at Fort Valley State.

Next is Dr. M.E. Ferree. Dr. Ferree is the Extension horticultural science specialist at the University of Georgia, here with us today to talk about further alternatives and agricultural ideas.

Dr. Ferree.

STATEMENT OF DR. M.E. FERREE, PROFESSOR AND HEAD, EXTENSION HORTICULTURE DEPARTMENT, COOPERATIVE EXTENSION SERVICE, UNIVERSITY OF GEORGIA, ATHENS, GA

Dr. FERREE. Thank you, Senator Fowler and Senator Nunn. I appreciate the opportunity to present some ideas that have surfaced

and some long range plans that have been made by the Georgia Extension Service.

For nearly a year I have chaired a Task Force to study potential alternatives that might help farmers diversify and improve farm profit.

For the past 2 or 3 years, we have heard many stories of farm failures. I am not going to dwell on the reasons for failure, but we have not heard much about the successes so I am going to dwell on these. The recent past is not the first time things have gone bad for agriculture in the United States and the Southeast. Other times we have seen survivors and we did not hear much about them. The survivors of the bad times are the ones who should receive the attention. We should spend as much time learning why they succeeded as why others failed.

Generally, the successes can be characterized as: First, they were in business and did not take the traditional approach to anything. They did not do anything because they loved to do it.

Second, they read the signs and knew when to circle the wagons.

Third, they took innovative approaches to marketing rather than the approach that if it worked last year it ought to work this year.

Fourth, they had a long-range plan. You heard John Mixon talk about what we need to do as far as forestry down the road. Well people such as those who survive had long-range plans.

Fifth, they invested time in improving their management skills. They were interested in what an economic unit for a commodity was.

Sixth, they stayed abreast of the latest information.

This list could go on and on, but I will discuss those alternative agricultural opportunities which have potential for current farm operators and new rural enterprises if they approach it from a business standpoint.

First of all is aquaculture. We have the climate, the natural resources and the market for significant increases in the production of fish, particularly catfish, and you have heard Dr. Walker mention that.

Number two, commercial hunting enterprises. With little public hunting land available in Georgia and in most of the Southeast, a very small investment with current land resources can help farmers with various hunting enterprises. Five to 10 dollars per acre income from a hunting lease can go a long way to relieve the tight financial situation.

Ornamental horticulture, the production of flowers and shrubs is at a deficit in Georgia. That is, we must import plants to help satisfy demand. The Grounds Management industry is wide open for individuals that can provide quality service.

Number four is direct markets. This is also a wide open field, particularly near population centers. Over 90 percent of the fruits and vegetables grown in the State of Georgia are grown more than 50 miles away from main population centers.

These four major plans will not change the face of Georgia farmland; however—

Senator NUNN. Could I ask a question here as we go along?

I am afraid we are going to have very little time at the end, so I will interrupt if you do not mind.

How much of the fruits and vegetables that we consume in Georgia, approximately what percent come from out of state?

Dr. FERREE. We probably consume about—a goodly portion of ours, over 50 percent. But we are very minor in the total fruit and vegetable picture because you are dealing with an international market. Fresh fruits and vegetables are now available year round whereas in the past we had to settle on canned or frozen foods in the winter time. So I would say that probably 80 percent of what we consume today is from either out of state or out of the country, the southern hemisphere.

Senator NUNN. About 80 percent?

Dr. FERREE. Probably. That would be very conservative.

We feel comfortable that hundreds of business oriented farmers can make a profit in one of these four major areas. They are all free enterprises, thus there are no guarantees. The people in these businesses now want no guarantees and they want no support. They want to see that innovative businessmen can survive.

Anybody who believes that we have run out of good ideas in agriculture should visit Everett's or J&J Greenhouses. These folks used to grow corn and soybeans where their greenhouses now sit. Or visit Eisen's apple farm or Hubert's strawberry farm. Thank you very much.

[The prepared statement of Dr. Ferree follows:]

STATEMENT OF PROFESSOR FERREE

Rural Development Hearing
 United States Senate Committee on Small Business
 Monday, July 20, 1987
 Fort Valley State College, Fort Valley, Georgia

Panel IV - New Ideas: Alternative Agricultural Ideas by
 Dr. M. E. Ferree, Professor and Head, Extension Horticulture
 Department, University of Georgia, and Chairman, Georgia
 Extension Plan of Work Task Force on Alternative Agricultural
 Opportunities.

In the Fall of 1986, a Task Force made up of specialists within the Georgia Cooperative Extension Service was appointed to study the potential for alternative agricultural enterprises, and to develop long range plans of work for those enterprises that showed significant potential for growth in Georgia. After an extensive study, four major plans of work were developed, and these will become major emphasis programs of the Georgia Cooperative Extension Service for the next four years:

- 1 - Aquaculture
- 2 - Commercial Hunting Enterprises
- 3 - Integrated Direct Marketing
- 4 - Ornamental Horticulture

Situation: Aquaculture

Aquaculture is a relatively new and rapidly growing segment of agriculture. Production is shifting from extensive to very intensive and highly technical systems. Consumer awareness of the nutritional value of fish products, their acceptance in expanded markets, and their increased availability at competitive prices is expected to increase per capita consumption dramatically. In 1985, U. S. per capita consumption was 14.5 lbs. In 1980, 48 million pounds of catfish were processed in the southern United States; 1986 production was 230 million pounds. It is predicted that the development of aquaculture enterprises will grow significantly in Georgia in the next ten years as a result of the state's suitable climate with proper soils, topography, and the availability of water. This development is occurring in the rural areas of the state and offers our farmers an alternative and profitable farm enterprise.

Situation: Commercial Hunting Enterprises

While most corporate forest lands in Georgia are now under lease or other agreement (about six million acres at between \$1.00 and \$7.00/acre/year), there is no data on private lands under lease. Indications are, however, that an increasing number of private landowners are leasing lands at generally higher prices than corporations. The full potential for Dove Fields (price \$25-40/half day), Day Hunts for deer (price \$100-250 per day), Guided Hunts at resorts (especially quail - price

\$300-600/day), and Waterfowl marshes (no price data) has not been tapped.

Nationwide, about 7% of the population hunt, but this figure is probably higher in the Southeast. Most of Georgia's best customers (those that pay the most) come from out of state (Florida and some northern states are good markets).

The potential for Georgia landowners/farmers in hunting enterprises is extremely good. There are few public wildlife management areas in Georgia and adjacent states. Hunting enterprises can contribute significantly to the net present value of Georgia lands with a very low additional investment on the part of the landowner.

Situation: Integrated Direct Marketing

Many farmers are looking for productive uses for their land. Increases in urbanization, increases in income and the increased emphasis on fresh-fruits and vegetables for health reasons provide the opportunity for production and direct marketing of certain fruits and vegetables near population centers. At the present time there are less than 100 direct market farms and less than 200 roadside markets in the state. Further, over 95 percent of vegetable acreage (134,000) and over 90 percent of the fruit acreage (35,000) is located more than 50 miles away from Georgia's four largest population centers.

The potential exists for a significant increase in consumer harvest and other forms of grower to consumer marketing in populated areas. This program can significantly impact the profitability of existing farm operators as well as new rural enterprises.

Situation: Ornamental Horticulture

Demand for ornamental plant material and services has risen sharply over the last decade. The Georgia wholesale floricultural and woody ornamental industries are not producing sufficient plant materials to supply local demands; the floricultural deficit 10 percent of consumption and the woody ornamental deficit 15 percent.

The ornamental services industry, Grounds Management, was non-existent 15 years ago. Today, nearly every Georgia town and city of over 20,000 has one or more emerging or established Grounds Management firms. Currently, the estimated value of these interior and exterior services exceeds \$350 million.

The potential for expansion of the nursery, floriculture and grounds management industries is excellent due to both continued increase in demand for plant material and services as well as the current production deficit.

The Task Force, in its deliberations, recognized that there were numerous other opportunities available for existing farm operators and potential farmers. However, those opportunities recognized with limited potential did not warrant a major program thrust, but will be addressed by the Extension Service on a smaller scale.

Cautions: American agriculture as we have know it for many years has been production oriented, with many commodities being supported by one form of government program or another. The alternative agricultural opportunities mentioned here today are totally free enterprise, and will require a more entrepreneurial approach to farm management if success is to be realized. The successful farmer in such ventures will first be a businessman and secondly a tiller of the land. He will concern himself with 1) evaluating consumer trends, 2) identifying market opportunity, 3) developing marketing strategies, 4) improving management skills, 5) and planning a promotion and advertising campaign before he worries about production. If he does not become a businessman first, his chances of success are nil.

Senator FOWLER. Thank you very, very much.

Senator NUNN. What was that example you just gave? I did not catch what you said, the farming enterprise has been converted to what?

Dr. FERREE. They have been converted into greenhouse operations.

Senator FOWLER. Greenhouses, from the soybeans?

Dr. FERREE. Yes, they were looking for something to improve their farm income and they put in a couple of greenhouses and now they are quite large. We figure you have to turn between \$250-\$300,000 a year per acre of greenhouse space to make it profitable and these operations are quite large now.

Senator NUNN. Does the Extension Service put out anything giving the economics of this as a guideline, give examples of the amount of capital and the amount of profit if you manage it correctly? Is there any kind of guideline if Georgia farmers, small farmers, wanted to convert to let us say catfish? I am sure you have got something on that, or let us say horticulture or something of that nature. Do you have that in writing, any kind of booklet?

Dr. FERREE. We have budgets for the horticultural crops with the Ag Economic Department and we are also doing computer programs on some of these ornamental enterprises.

Senator FOWLER. Your discussion on the need for plants, does that include—is there not a tremendous demand for cut flowers?

Dr. FERREE. Yes, there is.

Senator FOWLER. Are we able to satisfy that?

Dr. FERREE. We cannot even compete. When we are dealing with \$5 an hour labor and they are paying \$3 a day in Colombia and Venezuela and some of these countries, they can fly them in. Over 90 percent of the cut flowers in the United States comes from overseas now.

Senator NUNN. That is very labor intensive.

Dr. FERREE. Very labor intensive.

Senator NUNN. You do not see much future there?

Dr. FERREE. Absolutely none. Our biggest industry is pot plants and bedding plants. If you have noticed how well the major business in and around the capitol grounds in Atlanta and most public buildings are kept. That is the guts of the greenhouse industry, is bedding plants, and that is where they come from.

Senator NUNN. What about fruits and vegetables, do you see much future there?

Dr. FERREE. Yes, for someone who takes more innovative approaches to marketing. We have not done that in the past and I think that is the primary reason we see failures in the fruit and vegetable business, is they think the market is going to accept what they grow rather than trying to find out what the market really wants.

Senator NUNN. In other words, you have got to grow a quality product and you have got to know in advance what is wanted.

Dr. FERREE. That is exactly right.

Senator NUNN. Is it necessary pretty much to contract in advance before you get into that business? Do you have to have advance contracts?

Dr. FERREE. Well not necessarily contracts, but you have got to make the arrangements and find either a broker or a market for the product before you get into it because it is not like, you know, a grain or something like that that you can store. It is not ready today, it will be ready tomorrow and the day after it may be over-ripe and you cannot sell it. So it is a real timely business so you have to make a lot of arrangements.

Senator NUNN. Where do most of our fruits and vegetables come from that we consume in Georgia?

Dr. FERREE. California, Florida, and Texas.

Senator NUNN. Mainly large enterprises or are there many small enterprises producing fruits and vegetables?

Dr. FERREE. There are a lot of small enterprises. For some reason growers in other areas that started under greater hardship such as California and Washington State, have adapted much better to the cooperative way of marketing. California and Washington State are great States for growing fruits and vegetables, but when they started they were 3,000 miles from mouths to eat them and they had no water, they had to irrigate.

They had everything against them and so they worked together from the beginning. So they just built up a real finely tuned marketing system.

Senator NUNN. One other question, how much land in Georgia is leased out in terms of hunting rights? Is it a very small amount?

Dr. FERREE. That is something that we do not know. Most all the corporate forest land is, but that is one thing we do not have a finger on. We think it is relatively small.

Senator NUNN. Are you not doing some work in that area now—or are you?

Dr. FERREE. Yes, we have a—we are going to do a survey based on this being a long range plan of work to make that kind of determination, what percent of the privately owned farmland is being leased.

Senator NUNN. Thank you.

Senator FOWLER. Dr. Phil Tybor, extension food science specialist also at the University of Georgia—last but not least, Dr. Tybor.

STATEMENT OF DR. PHILIP T. TYBOR, HEAD, EXTENSION FOOD SCIENCE AND TECHNOLOGY DEPARTMENT, COOPERATIVE EXTENSION SERVICE, ATHENS, GA

Dr. TYBOR. Thank you very much, Senator Fowler and Senator Nunn.

To answer your last question in terms of what Dr. Ferree presented, last fall there was more deer slaughtered than there was hogs slaughtered and the deer processing industry in Georgia is becoming quite large. That is an example of what Dr. Ferree was talking about there.

Now to the general topic on Georgia food processing. A little bit of background; the Georgia food industry represents a composite of small, medium, and large businesses with a mission based on the conversion of raw agricultural commodities into safe and wholesome foods for the consuming public. This food sector of the farm to market system for Georgia is estimated to represent a total \$10

billion contribution to the state's economy. The addition of value; that is, the processing and related services, accounts for greater than 50 percent of this economic input, approximately \$5.5 billion. Labor is the greatest resource required for the addition of value to our food commodities. It ranges from \$2 to \$3 billion per year. Examples of key farm food commodities in Georgia are broilers, peanuts, vegetables, fruit, hogs, dairy products, pecans, beef cattle, and many others. The leading food processing industry, which continues to grow is poultry. The broiler segment is represented by approximately 30 firms involved with slaughter, dressing, and further processing.

Our red meat industry is composed of some 275 facilities with pork being the leading red meat processed in Georgia.

The dairy processing segment is composed of about 30 facilities with fluid milk products as the major consumable good. The fruit and vegetable firms are quite numerous. These operations range from packing sheds to roadside stands to the more sophisticated batter/breaded processes dealing with batter/breaded vegetable products for retail.

Georgia food processors go beyond firms that have a basic commodity orientation. Other food processors include manufacturers of bakery goods, confections, snack foods, salad dressing, and fabricated entrees.

The majority of our processors are regional. State and local. However, National corporations have an influence in Georgia. Examples of such firms are Frito-Lay, Con Agra, Rich Products, Swift, Pet, Kraft, Cargill and Tysons.

Georgia has opportunities, issues and problems. The farm to market system opportunities in Georgia are exactly the same as that for the total U.S. Changing demographics and consumer attitudes are directly influencing market demand and need. Processors or entrepreneurs that respond to the market trends and fads are realizing potential for short and long range profitability.

Senator FOWLER. If you do not mind me interrupting you for the same reason. Are there any specific programs through the Extension Service or anywhere else to teach farmers how to market, where the market is and to grow for a specific close in market, as Senator Nunn was discussing?

Dr. TYBOR. Yes, sir, there is a program through the Ag Economics Group in which they do a financial overview if a farmer is looking into a specific commodity so that he can make a more informed decision. And there are programs to work with those farmers to give them more business orientation rather than just planning on a seasonal basis as has been done in the past.

Senator NUNN. So if a farmer wanted to get into that, wanted to look into it before they got into it, who would they go to see to try to assess their opportunities? They would go to the Extension Service?

Dr. TYBOR. Yes, a lot of that work can be done right in the county agent's office.

Senator FOWLER. And just quickly. Let me just take three fruits and vegetables off the top of my head that—let us say mangoes, avocados and kiwis. All three of those seem to be hot properties these

days in all the fancy restaurants in Atlanta. Can any of those be grown in Georgia, any parts of Georgia.

Dr. TYBOR. I am going to have to defer that to my associate here.

Senator FOWLER. And if they could, would you not agree, and then you can tell me whether they can, but if they could, you could develop that kind of arrangement that you were talking about, Dr. Ferree, whether there is a contract or not. Atlanta hotels would, I am sure, now buy 5,000 kiwis a year to slice up on top of all those \$7 breakfasts. Can we grow kiwis here or we going to have to keep buying them from New Zealand or wherever they come from?

Dr. FERREE. We are evaluating them. The other two are true tropical plants and they will not grow here so they will have to be picked up by south Florida.

Senator FOWLER. Well they grow avocados in California, do they not?

Dr. FERREE. Yes.

Senator FOWLER. But we cannot grow them here?

Dr. FERREE. That is true. They grow in south Florida too.

Senator FOWLER. Excuse me, Dr. Tybor. Senator Nunn and I talked 2 years ago about this, and this is no criticism of farmers, but as he was saying—Sam was saying this morning, talking about Jacksonville and Atlanta, population centers, most farmers, you know, they just put it on the Gold Kist truck and they do not know where it goes.

Dr. FERREE. That is right.

Senator FOWLER. And if we could find a way to tie in to what we have heard on both the panels about the markets so the farmer could grow for the market that is right there at his doorstep—

Dr. TYBOR. One of the key links is the simple fact that all of our farm commodities are the basis of the foods that we consume and there has to be more joint communication in terms of what is needed in the marketplace all the way down to the farmer or grower who is producing it, and we will have that quality movement in the marketplace. So there is the opportunity for increased communication and a working relationship.

Senator FOWLER. Thank you.

Dr. TYBOR. New or existing food businesses in Georgia must address strategic issues in order to achieve success. The following are top priority issues.

The first one, two key resources, water and people, are mandatory. Quality water must be readily available for the day-to-day operation of a basic processing facility. The people resource must be readily available first as the labor pool and second as the market outlet.

Second, market information and education must be more readily available to facilitate new development and nurture existing businesses. Market driven businesses afford the best opportunity for success as opposed to production driven firms.

Third, the movement from traditional or basic foods to further processed/value added products is a direction of focus. Technology transfer between the food processing segments such as red meat and poultry will facilitate meaningful value added products. Major focus on educational efforts and service are necessary to facilitate this crossover.

Fourth, new food business development does not automatically mandate capital intensive efforts. Alternatives range from toll processing through construction and operation of a new processing facility.

Finally, food safety, quality awareness and quality control must be a basic principle of this food industry that is understood and practiced by the total work force, management and labor.

In conclusion, food businesses are not the savior for the revitalization of rural Georgia. However, food processing and allied industries are certainly one alternative that should receive major consideration and support.

Thank you, Senators.

[The prepared statement of Dr. Tybor follows:]

STATEMENT
ON
GEORGIA FOOD PROCESSING
BY
PHILIP T. TYBOR
COOPERATIVE EXTENSION SERVICE
FOR
NUNN - FOWLER
RURAL DEVELOPMENT HEARING

GEORGIA FOOD PROCESSING

BACKGROUND:

The Georgia Food Industry represents a composite of small, medium and large businesses with a mission based on the conversion of raw agricultural commodities into safe and wholesome foods for the consuming public. This food sector of the farm to market system for Georgia is estimated to represent a total \$10 billion contribution to the State's economy. The addition of value (processing and related services) accounts for greater than 50% of the total economic input, approximately \$5.5 billion. Labor is the greatest resource required for the addition of value to food commodities, ranging from \$2 to \$3 billion per year. Examples of key farm food commodities in Georgia are broilers, peanuts, vegetables, fruit, hogs, dairy products, pecans and beef cattle. The leading food processing industry which continues to grow is poultry. The broiler segment is represented by 30 firms involved with slaughter, dressing and further processing.

The red meat industry is composed of some 275 facilities. Pork is the leading red meat processed in Georgia.

Dairy processing segments is composed of about 30 facilities with fluid milk products as the major consumable good. The fruit and vegetable firms are quite numerous. Operations range from packing sheds and roadside stands to specialty batter/breaded retail vegetable products.

Georgia food processors go beyond firms that have a basic commodity orientation. Other food processors include manufacturer of bakery goods, confections, snack foods, sauces, margarine, salad dressing and fabricated entrees.

The majority of the processors are regional, state or local firms. However, National corporations have an influence in Georgia. Examples of such firms are Frito-Lay, Con Agra, Rich Products, Swift, Pet, Kraft, Cargill and Tysons.

OPPORTUNITIES, ISSUES AND PROBLEMS:

The farm to markets system opportunities in Georgia is exactly the same as that for the total U. S. Changing demographics and consumer attitudes are directly influencing market demand and need. Processors or entrepreneurs that respond to the market trends and fads are realizing potential for short and long range profitability. The Food Processing Industry can be a stimulus for Rural Maintenance and Development.

New or existing food businesses in Georgia must address strategic issues to achieve success. The following are top priority issues:

- Two key resources, water and people, are mandatory. Quality water must be readily available for the day to day operation of a basic processing facility. The people resource must be readily available first as the labor pool and secondly as the market outlet.

Page 2

- Food market information and education must be readily available to facilitate new development and nurture existing businesses. Market driven businesses afford the best opportunity for success as opposed to production driven firms.
- The movement from traditional or basic foods to further processed/valued added products is a direction of focus. Technology transfer between the food processing segments such as red meat and poultry will facilitate meaningful value added products. Major focus on educational efforts and service are necessary to facilitate the crossover.
- New food business development does not automatically mandate capital intensive efforts. Alternatives range from toll processing through construction and operation of a new processing facility.
- Food safety, quality awareness and quality control must be a basic principle of Food Industry that is understood and practiced by the total work force, management and labor.

In conclusion, food businesses are not the savior for the revitalization of Rural Georgia. However, food processing and allied industries are certainly one alternative that should receive major consideration and support. Both commitment and funding should be the form of support for active Extension educational programs and services based on:

1. Expanding market alternatives for Georgia agricultural commodities through the development and dissemination food market information and product-marketing systems.
2. Facilitating value-added product and process technology transfer for the development or expansion of food businesses that can enhance the revitalization of Rural Georgia.

Thank you.

Senator FOWLER. Dr. Tybor, thank you and I thank all the panel. I feel like we have got to move on if we are going to hear the success stories.

Senator NUNN. We thank you very much. [Applause.]

We will conclude with our final panel this afternoon and these are all individuals involved in communities where there have been truly outstanding successes. So I will ask the panel to come forward; Mr. Larson, Mr. Lockwood, Mr. Overton and Mr. Reynolds.

We are glad to have you all this afternoon. I know you realize we have got a time problem, unfortunately we have got to catch a plane back in Atlanta at 6:30 so we are going to have to break up very shortly after 4 and I would appreciate very much if you could summarize. I know all of you personally and we are delighted to have you and proud of what you have done.

We will start with Cullen Larson. Cullen is the county administrator and county attorney for Lumpkin County. In addition to keeping J.B. Jones in line, which is a full time job, Cullen oversees the administration of services to a population of nearly 14,000 people in his county and guides the planning and development programs and he is certainly well known in his area of the State. Cullen, we are delighted to have you with us.

**STATEMENT OF CULLEN C. LARSON, COUNTY ATTORNEY,
ADMINISTRATION COORDINATOR, DAHLONEGA, GA**

Mr. LARSON. Senators, thank you for the invitation. I will start with a summary statement, basically, and that is that the growth that we are experiencing in Dahlonega and Lumpkin County can be attributed to a variety of natural, economic, private and Government causes. And part of that is maintaining a strong local-State-Federal partnership that I will address in more detail.

Lumpkin County, once an isolated mountain county, is now less than 1 hour drive from Atlanta's north perimeter and the explosive growth there. While we remain essentially a rural community, things are changing. Our population we estimate now is close to 15,000 plus additional part time and seasonal residents.

The economy is fairly diversified, but somewhat fragile I think in certain respects. Per capita income continues to lag behind both the National and State average. Principal employment sectors include the poultry industry, manufacturing, education, health care and an array of retail, hospitality and service businesses. While retail sales have increased steadily in recent years, due to a lack of selection and variety of goods and some lack of competitive pricing, a substantial proportion of the retail trade goes outside the county.

Our property tax base is dramatically impacted by two factors. First, some 47 percent of our county is tax exempt due to Federal and State land holdings. And second, rapidly escalating land values, attributed at least in part to speculative real estate transactions. This causes our county to appear wealthy under some funding formulas but of course it is not an accurate estimate of ability to pay.

In the public school system, growth management problems include lack of classroom space, some negative impacts of the funding

formula under the Georgia QBE program, and the need for alternative revenue sources for schools cited by earlier panels.

Health care has improved dramatically in Lumpkin County. It went from no hospital and two physicians about 10 years ago to a fine hospital today cooperating with an expanding nursing degree program at North Georgia College.

In 1979, the Torrington Co. built a roller bearing manufacturing plant in Lumpkin, employing now about 250 persons and after that time a number of smaller businesses and industries followed.

The single most important factor contributing to our growth has been the opening of Georgia Highway 400, completed from Atlanta to Dahlonega in 1981. This is especially critical in our area which never had rail, never had the opportunity for water transport, has little airport capacity and still has more than half of our local roads unpaved.

Other factors have contributed to our growth; natural beauty of the mountains, historical heritage, the moderate climate, and proximity to metro Atlanta.

Also, another link to economic growth has been a judicious use of incentives such as freeport exemptions, industrial revenue bonds and local option sales tax. This tied with the stability and experience that has been alluded to in your reference to Commissioner Jones and others, has enabled us to capture state and Federal programs of assistance which we maintain are going to be of continuing importance.

The importance of North Georgia College related to economic development cannot be overstated. We have tried to make a conscious effort to link college resources with community needs and this has been extremely effective for us.

Leadership development, also as alluded to by other speakers, is critical. This has resulted in a spirit of public-private partnership including government, business, education and civic leaders in a variety of joint ventures including a local leadership academy and a business education partnership.

I like to think of Dahlonega and Lumpkin County as where Appalachia and the Sunbelt have met. And while Georgia 400 has a promise for us, this promise is also accompanied by challenges.

I think that particularly for our critical mountain watershed area there is the question of whether the explosive growth around metro Atlanta will be allowed to cut off the opportunity for economic development that our area has recently begun to experience. The Federal Government having a substantial interest in the Chatahoochee National Forest, Lake Lanier and the reregulation dam and other facilities, surely will play a role in balancing the respective rights and responsibilities of rural mountain and downstream urban communities.

An essential ingredient of economic development in a rural area must be a Federal investment to stimulate the rural economy. If properly structured, I believe that these investments can contribute to a net reduction in the Federal deficit by eliminating expenditures and lost revenues that result from economic failures and the lack of opportunity in rural areas.

Trying to finish quickly, I will simply mention the importance of investment in rural infrastructure. While we are not tied to any

particular Federal program, we think that a consistent and substantial Federal role in rural development must be achieved.

Thought should be given toward redirecting the Federal gas tax from the interstate system soon to be completed, to local roads which is our largest public road system. Recent EPA regulations under the Safe Drinking Water Act will have the greatest cost impact on small rural systems. That needs to be addressed.

Others have mentioned the need for capital assistance related to industrial sites, water and wastewater treatment, and solid waste.

I will mention two other areas that require full development of human resources; these are comprehensive welfare reform coupled with basic skills development and job training opportunities, and assisting counties and local health care providers in providing care to the uninsured working poor.

Senator FOWLER. Cullen, let me interject there. We have two major proposals on comprehensive welfare reform, different versions, before the House and the Senate.

Mr. LARSON. Yes.

Senator FOWLER. All you administrators and mayors, we would be very, very interested in your comments as to the specifics on these proposals.

Senator NUNN. It is interesting, Senator Moynihan just introduced one of those major proposals. I remember when I was running for the Senate in 1972, one of the things I talked about the most was the responsibility of parents for their children, abusing the welfare rolls, by doing something about what I called then run-away fathers. That program has collected now billions of dollars. Senator Long, I give primary credit for it, he helped me introduce the bill when I got there. And I note, Wyche, Senator Moynihan, the major thrust of his welfare reform legislation is a checkoff on wages of parents so that children are not abandoned to the mercy of the taxpayers. So that is going to be taken back in thrust even further in that direction. And of course he has a lot of other features in his bill, but that was interesting to me that he had emphasized that as being one of the major thrusts, to make sure that when people bring children into the world, they ought to assume responsibility for them.

Mr. LARSON. That is right. I am familiar with both the Moynihan and the Ford proposals.

If I could finish just very briefly, touching on other areas that are going to be necessary if local governments are to remain viable partners in promoting rural economic development. There are six points very quickly:

Continued full funding of the payments-in-lieu of taxes program on Federal lands.

Reimbursement of mandated costs. Congressman Barnard has a fine bill related to this.

Local fiscal impact report attached to every piece of legislation. Prompt obligation of the available balances in the Federal highway and airport trust funds.

Restoring immunity from liability for local governments under Federal statutes.

And finally, providing some type of targeted fiscal assistance to the most needy rural communities; this is especially necessary in the wake of the elimination of revenue sharing.

Thank you.

[The prepared statement of Mr. Larson follows:]

RURAL DEVELOPMENT HEARING

U.S. Senate Committee on Small Business

Senator Sam Nunn

Senator Wyche Fowler

Fort Valley State College

July 20, 1987

Testimony of Cullen C. Larson

Dahlonega, Lumpkin County, Georgia

On behalf of the Dahlonega-Lumpkin County, let me thank you, Senators, for your emphasis on rural development issues and for your invitation to offer testimony.

My remarks will, first, give a brief overview of the current development picture in our community. Second, I will list several factors contributing to the growth we are experiencing. Thirdly, I will address a number of continuing needs and challenges confronting our changing county. Finally, and related to these continuing needs, I will conclude with a description of what I believe the Federal role must be in rural development.

CURRENT OVERVIEW:

Lumpkin County, once an isolated mountain county, is now less than a one hour drive from Atlanta's explosive north perimeter. While we remain essentially a rural community, demographic changes beginning in the 1970's, and rapidly accelerating in the 1980's, are changing our lives, presenting both opportunities and challenges.

The 1980 census reported a population of some 10,700 residents in Lumpkin County. We now estimate the population in 1987 at approximately 15,000 persons, with additional part-time and seasonal residents.

While official unemployment rates list Lumpkin at or below the state average, local officials consider these reported rates somewhat misleading since reporting procedures tend to understate actual unemployment in some areas. In addition, about 42% of our labor force must commute outside Lumpkin County for employment, typically to Gainesville and Atlanta.

Our economy is fairly diversified, but somewhat fragile in certain respects. Per capita income continues to lag behind the State average, and well below the national average. Principal employment sectors include the poultry industry, manufacturing, education, healthcare, and an array of retail, hospitality, and service businesses. Retail sales have increased steadily in recent years, but an insufficient variety and selection of goods, together with an absence of competitive prices in some areas, contribute to a large portion of retail trade by Lumpkin County residents done outside the county.

Our property tax base is dramatically impacted by two factors. First, approximately 47% of our land area consists of tax exempt holdings of the Federal and State governments, including some 57,000 acres of national forest, as well as property of the U.S. Army Corps of Engineers and the Army Ranger Training Camp. Second, rapidly escalating land values, attributed at least in part to speculative real estate transactions, cause the county to appear "wealthy" under some intergovernmental funding formulas; but this does not, of course, represent an accurate estimate of "ability to pay."

We are proud of the recognition we have received for stability, progressiveness, and cooperation among our local governments, and between our private and public sectors. Our public school system has achieved significant progress in many areas, but today is facing several extremely difficult problems, including lack of classroom space, certain negative impacts of the state funding formula under the Georgia "Quality Basic Education" program, and a critical need for alternative revenue sources other than the property tax.

Healthcare In Dahonega-Lumpkin County has shown remarkable improvement in the last 10 years. Having only two physicians and no hospital in the early 1970's, we have a modern 52 bed acute care hospital and a growing medical staff with a wide range of expertise. The growth and development of St. Joseph's Hospital of Dahonega. (Formerly Lumpkin County Hospital), together with the emergence of an expanded nursing degree program at North Georgia College in Dahonega, have been and we believe will continue to be significant positive influences on growth.

In 1979, our efforts to promote industrial investment were rewarded with the location of the Torrington Company, a division of Ingersol-Rand, now employing about 250 workers in the manufacture of roller bearings. This was the first major industry to locate in Dahonega since the mid 1950's. Since Torrington, a number of small industries and businesses have located or expanded.

FACTORS CONTRIBUTING TO GROWTH:

The single most important factor in encouraging business investment in Dahlonega has been the opening of Georgia Highway 400, which was completed from Atlanta to Dahlonega in 1981. Transportation is the key, especially in an area such as the northeast Georgia mountains which never had rail, still has little airport capacity, has no opportunity for water transport, and still has more than half of its local roads unpaved.

The natural beauty of the mountains, the moderate climate, our historical heritage, and the geographic proximity to metro Atlanta are significant factors contributing to growth. Tourists one year are not infrequently new residents or small business owners a few years later. The steady influx of Atlanta and Florida residents, of ex-urban young families seeking a preferred quality of life, and others finding a pleasant retirement home, have given a new and healthy "mix" to our local population.

Economic growth in Dahlonega-Lumpkin County can also be linked to judicious use of incentives such as freeport exemptions, local option sales tax, and industrial revenue bonds. Stability and experience in county and city government have enabled us to effectively supplement limited local resources with State and Federal development assistance, including such programs as the Appalachian Regional Commission, Economic Development Administration, the Community Development Block Grant program, and others.

The importance of North Georgia College related to economic development cannot be overstated. Conscious efforts to link college resources, facilities, and personnel with community needs have been extremely effective for us.

Leadership development is critical for economic development in any community. This conviction has resulted in a spirit of public-private partnership involving government, business, education, civic and other leaders in a variety of joint ventures, including a local "leadership academy".

CONTINUING NEEDS AND CHALLENGES:

I like to think of Dahlonega and Lumpkin County as being where Appalachia and the Sunbelt have met. While the opening of Highway 400 as part of the Appalachian Developmental Highway system has been like a bright ray of promise shining northward from the burgeoning capitol of the Sunbelt, its promise is also accompanied by a set of new and continuing challenges.

Georgia must answer whether explosive urban growth will be allowed (1) to be kept isolated from rural parts of our state that are desperate for growth, and (2) to undermine or cut-off the opportunity for development which has only recently emerged in other rural parts of Georgia, particularly the critical mountain watersheds. Clearly, with its interest in the Chattahoochee National Forest Lake Sidney Lanier, and the proposed reregulation dam below Buford, the Federal government has an important role to play in balancing the respective development rights and responsibilities of rural mountain and downstream urban communities.

I understand that this hearing will give significant attention to the crisis in farming in our state and nation. This is rightly so. With Lumpkin County's heavy reliance on poultry operations, as well as some livestock, we certainly share these concerns. We are not, of course, an "agricultural" county in the usual sense. I would suggest to you, however, that a comprehensive and consistent rural nonfarm economic development policy may be the most effective means of assisting small farm operators. These farmers may not be likely to be assisted through traditional farm programs, but it would seem, they could benefit from a healthy rural nonfarm economy.

I would urge an immediate effort to develop a national strategy and commitment to rural economic development, characterized by broad intergovernmental cooperation, and focused on stimulating private investment and public-private partnerships.

As an essential ingredient of this rural initiative, there must be a substantial Federal role in rural development assistance. While there must obviously be a large role for the State, particularly with respect to interlocal rights and responsibilities concerning sensitive watersheds. I will focus my remarks here on the Federal role.

FEDERAL RURAL INVESTMENT:

Federal investments to stimulate the rural economy, and to assist rural communities in planning for and managing growth once stimulated, are necessary. If properly structured, these investments can contribute to a net reduction in the Federal deficit by eliminating expenditures and lost revenues which result from economic failures and the lack of opportunity in rural areas.

Investment in rural infrastructure is essential. The interstate highway system will soon be completed. Consideration should be given now toward redirecting the Federal gas tax revenues from the interstate system to the largest public road system in the nation, our rural local roads.

While we are not "tied" to the continuation of any particular Federal program, a consistent and substantial Federal role in rural development must continue. This should be in the nature the assistance provided through EDA, ARC, CDBG, as well as the Resource Conservation & Development program. FmHA rural non-farm assistance, TVA, and the Small Business Administration. This is especially true in the wake of the elimination of general revenue sharing.

Federal assistance through interest subsidies, loans, or grants is essential if there is to be sufficient capital for rural industrial sites, and for solid waste, water, and wastewater facilities. With respect to solid waste, Federal incentives should give first priority to conservation of resources and limiting waste, second, to resource recovery through such processes as incineration, and as a last priority, to landfills.

Water and wastewater treatment represents perhaps the most problematic and costly aspects of rural infrastructure. EPA regulations under the Safe Drinking Water Act of 1986 concerning monitoring, and filtration, and disinfection will have the greatest cost impact on small water systems. Continued capital assistance to rural communities will be required for local water reservoir and wastewater facility construction.

Rural communities seeking to promote or maintain economic growth must also assure full development of human resources. The Federal government must assist by enacting comprehensive welfare reform, including the creation of opportunities for basic skills development and job training. In addition, counties and local healthcare providers must have State and Federal assistance in providing basic care to the uninsured working poor.

To enable local governments to remain viable partners in promoting rural economic development, the Federal government must reconsider the nature of intergovernmental relations. The following Federal actions are indicated: (1) continued full funding of the payments-in-lieu-of-taxes (PILT) program, with consideration given to expanding the program to include military property as well as the national forest land; (2) reimbursement of mandated costs to local governments incurred due to compliance with new Federal regulations (see S.585/HR 1087); (3) amending Congressional procedures to provide for a "point of order" to be raised unless a local fiscal impact report is attached to any proposed legislation; (4) promptly obligating the available balances in the Federal highway and airport trust funds, which are generated by user taxes and earmarked for these purposes; (5) restoring to local governments their traditional immunity from liability under Federal statutes; (6) providing targeted fiscal assistance for the most needy rural counties through sharing of access to the broad Federal tax base.

SUMMARY:

Dahlonega and Lumpkin County are growing due to a variety of natural, economic, private and governmental causes. Continuation of a strong local-State-Federal partnership will be essential for protecting and extending this long-sought opportunity for rural area to share in the economic growth of Georgia and the nation.

Senator NUNN. Thank you, Cullen. Our next panelist is an individual I have known for a long time. I have followed him as he has moved and brought joy and prosperity to various parts of the State of Georgia, Max Lockwood. Max is executive vice president of Douglas-Coffee County Chamber of Commerce. Coffee County has 30,000 residents and within the last 2 years this area has diversified from an agriculture based economy to an industrial based economy. Max is also past president of the Georgia Chamber of Commerce. Max.

**STATEMENT OF MAX LOCKWOOD, EXECUTIVE VICE PRESIDENT,
DOUGLAS-COFFEE COUNTY CHAMBER OF COMMERCE**

Mr. Lockwood. Thank you Senator Nunn, Senator Fowler. Since we have presented a prepared statement, with the permission of the panel, I would just like to discuss one or two things informally.

One, I bring this message to you and to others who might be listening to this presentation, that rural Georgia is alive and well. We have some good viable communities all across this state who are doing well. They are facing up to their problems in the areas where they exist and many of them are making tremendous progress.

The other message that I would like to deliver is simply particularly to those people who might listen or see or read these proceedings, is that there is a tremendous opportunity which exists in our state for citizens to do almost anything a community wants to do. We have at our fingertips and within everyday touch resources that very few of our communities are using to their fullest extent.

I think that in Coffee County, one of the things that we have done that helped us to be successful is in the beginning about 7 years ago we sat around a table and we made a bold decision to diversify. And we knew to do that, everyone had to be included, the Government could not do it, the private sector could not do it, the chamber of commerce could not do it, State agencies could not do it.

So we formed a partnership and that partnership adopted the slogan which said "Working together will get us everything". And as we look at the bottom line results of that 7 year investment by that partnership, we have seen a community continue to grow in every respect. We are located in rural southeast Georgia. We do not have any interstates or four-lane highways and we are 100 miles from any metro area. And yet in these 7 years we have seen some wonderful things happen in our community as a result of working together.

We started with 2,400 minimum wage jobs, 7 years later we have 4,600 jobs with wages averaging that across the State.

We had assets in our local banks of about \$80 million and 7 years later we have passed the \$200 million mark.

We had a median family income of less than \$9,000, 7 years later it is \$18,000.

We had total job income of about \$70 million, 7 years later it is approaching \$150 million.

In 7 years we have seen new plant investment in our community without any Government projects, Government projects in the

sense that any kind of institutional projects, defense projects or anything else like that. All of at a price approaching \$100 million in 7 years in rural southeast Georgia.

So I am here saying to the panel that there are communities across the State who are working and utilizing resources available to them and doing very well.

Senator FOWLER. Are there any business incentives, Max, that you all discovered there that are specific in nature that are unique to Douglas and Coffee County that attracts the business that you have?

Mr. LOCKWOOD. Senator, the greatest incentive we have found is when we talk to people who want to invest in the community, just prove to them in an unquestionable way that they can invest in a good community, that we can provide the services that they need and that they can make a profit. And we do not—we offer probably less incentives of any community that you could find. We do have 100 percent freeport exemption, which of course is an incentive.

Our total attitude in our community is we do not give anything away and all these projects, \$100 million investment that we are talking about, our community has never, never given any freebies. I think that is part of the problem, if we could some way help those community leaders realize that so much depends on what they do and that it cannot be done in Washington and it cannot be done in Atlanta. They cannot send prospects to us. I made a statement to MEAG last week that most of us complain that our State and Federal agencies do not bring us more prospects and I think we could say that those communities that have problems, if they had a prospect every week, that the situation would not be any different.

Senator NUNN. My experience is that if the Federal Government expresses a keen interest in one particular community, that probably would be the community business would be the least interested in.

I just do not think business people are going to listen to the Federal Government. I think State government is a different thing. I think Industry and Trade got some biggies for us but I just do not think industrial development takes place at the Federal level unless it is something that is a direct output of Federal dollars.

Mr. LOCKWOOD. Absolutely. And when we look at the inventory of assistance available to us in the private and public sectors of this State, there is just an endless number of agencies and groups, private and public, in place to assist us. We could list pages. But our people are not interested.

Senator FOWLER. What about—if I may quickly, and anybody can answer, not just Max—what about the elimination of industrial revenue bonds. Has that hurt?

Mr. LOCKWOOD. I have a very personal opinion about that and I would like to point out that it is an opinion.

These industrial revenue bonds have been very helpful to us and we have utilized them, all communities in Georgia have. But Georgia is ready, and I think my community is ready—if you do away with the bonds everywhere, fine. Let us all compete at the same level.

Senator NUNN. As long as the playing field is level, you are saying if another State is getting them and we are not, that is a different story.

Mr. LOCKWOOD. Absolutely.

Senator FOWLER. Well of course the Federal law applies. Thank you, Max.

[The prepared statement of Mr. Lockwood follows:]

Remarks:
Max Lockwood
Executive Vice President
Douglas, GA Coffee County
Chamber of Commerce
(912) 384 1873

Senator Sam Nunn
Senator Wyche Fowler, Jr.
SENATE COMMITTEE ON SMALL BUSINESS
Fort Valley State College
July 20, 1987

July 20, 1987

A BOLD DECISION

In late 1979 a bold decision was made by the leadership in Douglas, Coffee County Georgia.

The decision was to accomplish that which was necessary to diversify the economic base of the County.

A partnership consisting of leaders in business & government, industry and agriculture was formed and a professional with a proven track record was employed to coordinate the effort.

A Program of Work was devised which was based on the determination that there were 18 basic divisions of community interest which could be used to build upon to reach desired goals. i. e. Housing; Government; Jobs; Transportation; Education; Housing; Health; Recreation; Other ;

A determined effort to identify sources of available support from the public and private sector was initiated. The results were excellent. A willingness to lend assistance to local leaders was demonstrated very effectively on a continuing basis. i. e. Government Agencies, Local, Regional, State and Federal; Extension Agents Services from the University; Field Services from Georgia Tech; Other regional educational institutions; The Southeast Georgia Area Planning & Development Commission; Financial Institutions, local, state and regional; Utilities, private and governmental, MEAG, Georgia Power, Atlanta Gas Light, CSX Railroad; Norfolk Southern, Others; Georgia Department of Industry & Trade; Georgia Departments of Community Affairs, Natural Resources; Labor; Transportation, Others; (a very limited listing of a much larger number of assistance groups at every level.)

The Partnership included plans for adequately funding an aggressive program for economic development. This included the construction of a \$ 1 million speculative industrial building with private sector funding. This was done to demonstrate a willingness of local leaders to make a strong commitment to the program.

As the program developed more and more people became involved. Elected officials were pleased with the bottom line results indicating the return on the investment of tax dollars. All state and federal dollars were wisely invested into meaningful and measurable developmental programs. A CAN DO ATTITUDE became apparent on the part of leaders in business & government, industry and agriculture. The general population was kept informed, involved and recognized for their efforts.

- More -

Page 2 Lockwood

Seven years after the initiative was really underway the following results are recognized by all agencies as accomplished Goals;

The number of jobs in manufacturing, processing, and distribution have increased from 2500 primarily minimum wage level jobs to more than 4,600 better-than-average wage jobs.

The medium family income has increased from \$11,000 to more than \$18,000 annually and is expected to double in 1990.

Income from all jobs has increased from approximately \$70 million to more than \$140 million annually. This will surpass \$150 million by the end of the decade.

Taxable sales have increased from less than \$90 million to more than \$220 million and will pass the \$250 million mark in 1990.

Assets in local financial institutions have increased from the \$90 million range to more than \$200 million.

Hundreds of new dwellings have been constructed along with almost 1,000 new apartment units. In 1979 the City of Douglas issued 45 construction permits. The City issued 1,158 construction permits in 1985.

In 1980, Douglas had a population of 10,980. Official records show a 1986 population in excess of 14,000. The population of Coffee County has increased from 26,894 to more than 30,000 during this same period.

New investment by Fortune 500 Companies in processing have played a major role in bringing the Gross Farm Sales Receipts from a recession low of \$54 million in 1983 to just under \$87 million in 1986. It is expected that 1987 will indicate an even stronger increase. Agriculture has continued an equal partner status in economic development in Coffee County.

New investment Companies include Fortune 500 Companies such as, Campbell Soup; Gold Kist; Fleetwood; Wal Mart and other Firms with national and international markets. Goods and services have a diversity from Chicken Soup to Components for Jet Engines, from a local farmers vegetable market to blue berries delivered fresh to Paris Restaurants; from a small & efficient Institutional Foods Distributor with 22 employees to a 1,000,000 sq. ft. Wal Mart Distribution Center serving 125 stores in three states with 700 employees. The Center is responsible for the employment of approximately 14,000 persons employed in the system in the three states. (The Center is now 750,000 sq. ft. and will be expanded to 1,000,000 sq. ft. in early 1988)

- more -

Lockwood
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A list of firms with early 1987 employment figures are attached for reference. More than 400 new jobs have been added in local industries through June 15, 1987. The job market is ever expanding and applicants from distances of 90 miles are a matter of daily record.

A study showing the economic impact on the Coffee County AREA is now underway and a report should be ready by years end.

New investments in manufacturing, processing & distribution facilities is approaching \$100,000,000 since December 1979.

None of the new investment includes facilities owned or operated by the state or federal government. All investments are by the private sector.

Douglas is not located on an interstate highway nor is it located on a 4-lane highway. The nearest metro-area is approximately 100 mi. distance.

Douglas is a success story in that the record shows the results of cooperation and hard work on the part of leaders in Business & Industry, Government and Agriculture. We list Agriculture as an Industry in and of its own, one which merits this special recognition for its rightful place in our World Economy.

Summary

Through a willingness to work together, to work hard in partnership, to invest their own talent, time, energy and financial resources, the people of Coffee County have reached out for help only after they have prepared themselves to be ready and worthy of assistance from any and all sources.

The end result is one which each citizen points to with pride for it is of their own doing. Any community can do better to position itself for economic development. The people of Coffee County are looking now toward the beginning of a New Century. No one should doubt but that they will be ready to embrace it, profit from their total investment in the belief they can accomplish those Goals which they freely and of a right make for themselves.

Senator NUNN. Thank you very much, Max.

Next, Phil Overton. Phil is the executive vice president of Gordon County Chamber of Commerce. During Phil's 7 years of leadership Calhoun and the Gordon County area has grown significantly with a current population of 33,000 residents. Gordon County is home to 117 manufacturers.

Phil, tell us how you do it.

STATEMENT OF PHILIP E. OVERTON, EXECUTIVE VICE PRESIDENT, GORDON COUNTY CHAMBER OF COMMERCE, CALHOUN, GA

Mr. OVERTON. Thank you. We in Calhoun and Gordon County, appreciate Senator Nunn and Senator Fowler recognizing our community our community's success and for allowing us to be a part of this program.

I will be paraphrasing also, but beginning this, I would like to say that Max and I have been parallel on many occasions and our philosophies do coincide quite a bit, so some of the things I will say will probably be along the same lines.

To understand why Calhoun and Gordon County have been successful, I think it is best that we look back some 10 to 12 years ago when our community leaders recognized a need to diversify our industrial base.

Our industry in the county was almost totally textiles and carpet and they are of course subject to the same economic cycles. Our good, young people were leaving here looking for stable jobs, that were not available in Gordon County.

This group of business leaders, and I want to emphasize, with a pro-business attitude—attitude is a thread that weaves all the way through everything I have heard today and I will continue to emphasize it. This pro-business and community advocate group got together and decided that what we needed was a development authority to help attract new and diversified industries to our community. The development authority then joined with the chamber of commerce, again as we heard today, a partnership was formed. This of course, when I say the chamber and development authority, it was under the City of Calhoun and Gordon County.

The first thing the community development authority did was to make an analysis of our community, its strong points and weak points. No way can you market without knowing what you have got to sell.

They found we had a good transportation system, Interstate 75 had just been completed. We had an abundant water system, a good sewer system, we had an extremely good electrical system, we are the southernmost point of the TVA system, and we had many areas of flat land that was developable into industrial sites. But the most important assets was our people, many were just coming off the farms and had good work habits.

However, our liability was also in our work force. They were not properly trained for the higher tech, mechanical type jobs that were coming on the market. We began a very positive plan working with our State agencies, just as Max has indicated; our local Coosa Valley Area Planning and Development Commission, Indus-

try and Trade, the Georgia Community Affairs Department, Labor Department, the Department of Natural Resources were an essential part of our program. These were all under the blessing, if you will, of the Governor's Office and we worked very close because we were close to Atlanta and are under their umbrella, and we wanted to be a part of Georgia and its growth.

We found very quickly that the key ingredients were that the community must have a pro-business attitude and more importantly it must be ready with available infrastructure; land, buildings and labor force. Companies on the move could not wait. I spent 15 years in manufacturing myself and I was involved in some site searches and I know what it is like for the Board to meet and they say we need to move and in 24 hours you are beginning to start putting things together. And this is what we see, or I see, today.

Our efforts paid off I think. Since 1979, we have brought in 32 companies. Our work force has increased from 13,000 to 19,000. Our tax base has doubled, increasing at the rate of \$100 million annually. Our total income has increased by 80 percent, well above the national average.

We now boast of 117 manufacturers with 15 being Fortune 500. Our industrial base now has changed from 95 percent textiles to 50 percent carpet and textiles.

I would like to make a key point here that while this industrial recruiting was going on, we continued to work even harder to help our existing industries. Our existing industries served as a reference for new companies that wanted to come. I will re-emphasize here that any company worth their salt is going to want to sit down with existing industries to find out how they are being treated in that community. And if the community does not treat their existing industries extremely well, then they can look forward to no new industry.

We have a tremendous network working through the development authority and the chamber on an existing industries program. In fact, we started a new program 3 years ago on existing industries meeting with them once a month, meeting with a different industry, have them for lunch and then go out and visit their plants or whatever. We have developed \$40 million worth of new expansion to existing industries through industrial revenue bonds.

In 1986, we realized that we had overlooked one of the most important industries in our county, our agriculture, or as we know it now, agribusiness. So we formed an Agribusiness Committee under the chairmanship of Richard Montanero—does that sound like a good farm name—president of a textile dyeing company. Our first order of business was to involve the Extension Service as a resource agency. The committee identified a most difficult task at that time, that being a grain elevator which had been closed for several years. Our farmers had a difficult time, they may drive 60 miles at harvest time carrying their grain and conversely our livestock and poultry growers had to drive sometimes that same distance to get their feed. So we had the Extension Service do an analysis on the need—was there a market for this service, since that elevator had been under, I think, three different managements and they all failed—was there really a need or had they just had management problems.

The Extension Service did the analysis and there was a need. We then went one step further and at the chamber's expense hired an electric company to go in and crank up all the motors to analyze how much it would cost to make this thing operational. We found that it could be done at reasonably low cost.

We then, taking these two pieces of information in hand, went out marketing. I do not know how many meetings we had but there were a lot of breakfast meetings and night meetings and weekend meetings, with everyone who we thought may have an interest in a grain elevator and we were fortunate to run across a man named Sonny Purdue, over in Houston County, Houston County Fertilizer & Grain, and Sonny came up and looked at our community and I think he will bear me out that he was more impressed with the pro-business attitude than he was with the facility. He said there are a lot of those facilities around Georgia but not a lot of communities like Calhoun and Gordon County. So after a lot of work—and I cannot tell you how much was involved in the legal part because this thing had gone through quite a bit of ownership and several deaths had occurred, and so the legal part was quite drastic.

Another problem we looked at, we had a local dairy who also had a processing plant. He was real upset that he was not getting what he felt was his market share. So again we called in the Extension Service and they came in and analyzed. We went to the grocery store, we stopped people on the street, why do you buy certain milk. Anyhow we came up with an analysis and we found that even though the quality of his product was great, the perception was not, people thought he had a dirty operation. So we talked to this dairyman and he—recommended he paint his facility, paint his trucks and clean up the area, and he did. We went back several months later, he had not been able to accomplish all the things that we had suggested but quite a few, especially those that were the most obvious.

He then had more business than he could handle, he was having to hook up a new computer system just to handle the new business or new opportunities.

Last, the committee decided we needed an awareness program. We felt that there were not enough people in our community that knew what was going on really, not only with agribusiness but agriculture too, so we formed a Farm-City Week which involved over 3,000 people in 1 week long activity. We had tours of farms and it is amazing the number of people who have never been on a farm. We had tours of manufacturing plants. We are a carpet community but yet a lot of people had never been in a carpet mill. We set up a speaker's bureau, we had parades, we culminated with day long festivities in the fairground with barbecued beef and barbecued chicken, both locally grown and processed. Of course we had the normal community square dances, but more importantly we had 40 companies exhibiting their products and their services at this 1 day event, which a lot of people were really impressed, saying, "I did not know your company made this or I did not know that I could buy this locally." So we are going to expand that drastically this year to involve probably 60 companies.

In closing, we were recognized for our efforts by being chosen one of four communities in this Nation by the Iowa State Economics Development Program and we were later selected by TVA as one of the four communities for a special comments study which is a commercial expansion analysis.

At present we have an unemployment rate of 4.2 percent and are addressing this situation to help our companies find adequate workers. Our next major goal is to develop a countywide land use program so we can have orderly growth to protect the quality of life we have worked hard to attain.

Thank you.

Senator NUNN. Thank you very much, Phil, for that excellent presentation. Any of you leaving here and going to the interstate highway, you will go by the Blue Bird Body Co. Of course I have lived in this area all my life and this is a great example of a home grown industry right here in Fort Valley, because Blue Bird, everywhere you go in America and a lot of other countries in the world, you see their manufactured product, a bus body that is made right here in Fort Valley.

Our last panelist today is Bill Reynolds. Bill has served as Mayor of Bainbridge, Georgia since 1978. He recently completed a term as president of the Georgia Municipal Association. Bainbridge has a population of more than 10,000 citizens with plenty of diversity in its industrial base, which includes mining, textiles, and feed mills. It depends heavily on poultry and livestock.

Bill, you are our cleanup hitter today. We are delighted to have you.

STATEMENT OF HON. BILL REYNOLDS, MAYOR, BAINBRIDGE, GA

Mayor REYNOLDS. I am glad I am last on the program, maybe that means I am the best, most successful and I appreciate that honor.

Senator NUNN. In Washington we call it the shovel brigade. [Laughter.]

Senator FOWLER. You get to correct anything that has been said.

Mayor REYNOLDS. Well I can echo most of it. I have tried it all from top to bottom.

Senator Nunn and Senator Fowler, thank you for letting me have the opportunity to be here with you today and to tell you briefly about some successes in Bainbridge and Decatur County, what we have done in that county and that city.

Many of you will remember a few years ago Bing Crosby had a popular song called "Accentuate the Positive and Eliminate the Negative," which is very important for community development. We have used that theory in Bainbridge and are continuing to do so.

We have a strong agricultural community, about 52 percent of our total land mass is used for agricultural purposes. We have an abundance of water for irrigation, hundreds of irrigated farms and many good farmers, and water will be more and more important in the years to come.

However, farming at best is precarious and many years back the leaders, city and county, of our community decided that if we were

to prosper we would have to develop something other than agriculture. We first formed a Committee of 100, that was 100 citizens who would give \$100 or more to look for industry. Then we created an Industrial Development Authority for the purpose of seeking that industry. We took an old air base and made a 2,080-acre industrial park. This park has two long runways, a water system and buildings that today are all used. This park has 12 industries plus a State Hospital for Mentally Retarded with an approximate total employment of 2,750.

Bainbridge was Georgia's first inland port, the port is used to ship and receive items such as grain, oil products, fertilizer, chemicals, and so forth. This port will continue to bring new industry to our community as well as jobs in supporting companies.

Bainbridge has been a new \$1.7 million YMCA that is completely paid for, no Federal money. We have a very modern hospital staffed by 15 physicians with a new \$1.1 million intensive care unit and two fine nursing homes, a kidney dialysis facility, a fine regional library. The Decatur County School System is very modern.

Senator FOWLER. Forgive me for this little comment, but those last three are considerable Federal money.

Mayor REYNOLDS. Yes, sir. I recognize that and we appreciated that very much. [Laughter.]

Senator FOWLER. Thank you.

Senator NUNN. And we appreciate the ones that did not get any. [Laughter.]

Mayor REYNOLDS. The School System also has a lot of Federal money. We have a junior college which we are very proud of, again Federal money. We have an average of 700 students per quarter, it has an excellent vocational program and a quick start program to train employees for industry.

We have a 500-acre recreation area with a white sand beach, boating docks, camping sites, covered picnic and cooking pavilion, tennis courts, softball field, and a restaurant. This park is a big plus. All this was started by asking the leaders of the Corps of Engineers to come to Bainbridge. So we sat down and worked out a plan to develop the 500 acres and we have never looked back. This park is one of the finest facilities from here to Mobile, AL, that brings a lot of tourism to our area, but it can also give our citizens and their families a recreation area close by to use and enjoy. Industry knows that an employee who enjoys his or her leisure time will do a better job for them.

We have responsible local governments, city, county and school board. I believe they must give the highest level of service for the tax dollar in order to keep our taxes low. For example, the city and county are in the paving business. We take State paving contracts which means more paving dollar for dollar for our citizens. Our city has paved over 27 miles in the last 8 years. The city put in a rapid rail garbage system, the first in this part of the Country. This system utilizes a 72-gallon container, placed beside the street and picked up by one person, a savings of a quarter of a million dollars a year.

Public Safety is a system of cross training; police and fire personnel can serve in either department, a savings of another quarter of a million dollars a year.

The city only collects a four mill tax or \$300,000 citywide in ad valorem taxes. This is a big plus to industry. A lot of progress with low taxes. Retail business is very important to community development. We have made it easy for new businesses to locate in our city.

The growth of new jobs in this Country is coming from the retail business. We have become a trading area for four counties and that brings many additional jobs and tax dollars to our community.

Last year our retail businesses had a total of \$133 million—a small town of 11,000. We compete with Tallahassee, FL, we compete with Albany, GA; but yet we had \$133 million in sales.

In closing, just remember to be positive. Community development is like a puzzle, it is many parts put together. Industry will look at your churches, your schools, your businesses, your recreation, your taxes, your hospitals, but most important they will look at the attitude of your local officials. We have been successful at keeping our unemployment rate lower than the surrounding areas because we have elected officials that work together and have a positive attitude, and to portray that positive attitude to 27,000 people.

I thank both of you Senators for your assistance. We are well represented and we appreciate you so much in Washington. And to Senator Nunn, I hope you will run.

Thank you very much.

Senator NUNN. Thank you very much, Bill. Phil, Max, Cullen, we appreciate your excellent, very optimistic assessments and your fine examples.

We have a lot to be grateful in Georgia today. We have got a lot of problems but I think anyone that was here today and anyone who has witnessed the success stories throughout our State realizes that we have a great number of opportunities.

I want to thank Dr. Burse for making this facility available. We appreciate it. I know there will be a lot of other requests for the use of this facility here in middle Georgia now that people know that it is here.

Dr. Linda Hall, who is the director of this facility, Linda, we thank you so much. Linda tells me we had 550 people registered before lunch and I am sure we have had some more this afternoon.

It has been quite an interesting day for us, it has been very helpful and instructive to Senator Fowler and to myself. We are grateful to all of our witnesses and panels.

Wyche, have you got a final word?

Senator FOWLER. I think you summed it up fine. We are just deeply grateful for the participation of everybody and we look forward—I certain do in working together with Sam in my new responsibilities, but if we are going to pull it, we have got to pull it altogether and I look forward to that challenge in working with him.

Senator NUNN. Thank you very much. The hearing is adjourned.
[Whereupon, the hearing was adjourned at 4:12 p.m.]

A P P E N D I X

WRITTEN STATEMENT FOR THE SENATE RURAL DEVELOPMENT HEARING,
HELD BY SENATORS NUNN AND FOWLER
BY ROBERT L. NASH, PRESIDENT
GEORGIA FARM BUREAU
JULY 20, 1987

The 166,000 members of the Georgia Farm Bureau appreciate the opportunity to submit this statement concerning rural development. We have 159 organized county Farm Bureau chapters with many members serving on school boards, county commissions, boards of lending institutions, and many hold other elected offices, therefore our members have a real opportunity to recognize the decline in rural economies and the overall quality of life in these areas. Much has been made of the rapidly expanding economy throughout the South. While the metro areas have had reasonably solid growth, many rural communities are finding themselves in serious trouble. The agricultural community continues to have tremendous problems while the manufacturing industry, which has provided jobs for displaced farm labor and spouse employment is suffering with plant closings occurring at an accelerated pace. My purpose is not to dwell on the economic woes of the rural Georgia community but rather to take a look at some ideas that are being addressed or need to be addressed at the Congressional level. Specifically I would like to address some conservation measures that are working well in our rural communities and offer long-range optimism, and other pending legislation which could further threaten small business and agriculture.

The Conservation Reserve Program, created by the 1987 Food and Security Act, was established as a voluntary program to prevent or control critical soil erosion. The CRP will also help to adjust the production of some agricultural commodities currently in

surplus--cotton, sorghum, wheat, corn, soybeans, and small grains. These huge surpluses have kept commodity prices down. With the Department of Agriculture paying half the cost of establishing grass or trees on highly erodible land (the farmer agrees to take the land out of production for 10 years), the program provides reforestation incentives and supports farm income. We believe that this is a very cost-effective program as compared with the huge government expenditures made through the commodity programs.

We are in support of Senator Nunn's proposed expansion of the CRP. By authorizing expansion of the reserve to 65 million acres by the end of crop year 1990, this legislation offers enormous opportunities for rural communities to take more land out of surplus crop production. Rather than relying on government commodity program payments, farmers would be given more incentives to diversify into products better suited for their markets. Rural communities should directly benefit from this expansion of the CRP because many economic opportunities should arise from increased enrollment in CRP land.

Georgia already has returned 295,035 acres to trees, which over the long-run should provide a stable income for many rural Georgians. We support this innovative program which is governmentally cost-effective, environmentally positive, and directly benefits the agricultural sector.

The Forestry Incentive Program (FIP) is a federal program designed to encourage the planting of trees on lands which are suitable forest lands but are not currently being utilized or are not being properly utilized for that purpose. Increased reforestation is necessary to meet future demands while at the same time, providing additional

employment opportunities in Georgia, especially rural Georgia. At the present time many farmers are not qualifying for the CRP but would like to put more land in pine trees. FIP is the only available program that would give incentive to farmers to plant trees on cut-over timberland or pasture. In many cases, this land is more highly erodible than the cropland that qualifies for the CRP. More federal funds are desperately needed to adequately implement FIP. The CRP and the FIP together could create a bright future for reforestation and thereby more economic opportunities for rural development.

While the Conservation Reserve Program and the Forestry Incentive Program are positive steps toward revitalizing rural America, there are several pending bills before Congress which are anti-business and could severely damage the ability of the rural sector to "bounce back." Agriculture along with many other rural type businesses are "labor intensive." Several labor bills now being considered would strap employers with staggering costs which could cause further plant closings and farm foreclosures. If Congress is truly committed to revitalizing rural America, these bills must be defeated: The Occupational Disease Notification Bill, the Double Breasting (Common Situs Picketing) Bill, the Minimum Wage Increase legislation, the Mandated Health Benefits Bill and the Plant Closing and Parental Leave Bill.

The Occupational Disease Notification (S.79) would establish a new OSHA-type bureaucracy within the Department of Health and Human Services to identify, notify, and monitor and counsel employees exposed to some perceived occupational hazard that might result in a threat to their health. We are opposed to this legislation due to the cost

burdens that will have to be paid by the employers through more liability claims and therefore higher insurance costs.

The Double Breasting (Common Situs Picketing, S.492) is scheduled for markup. Although farmers are not directly effected, we oppose this legislation because it would have a negative impact on business, including rural businesses. This bill would prohibit the construction industry from using both union and nonunion workers on the same site by requiring the nonunion workers to join the union. The legislation would allow secondary boycotting, restricts competition, forces union membership and would supersede the Georgia "right to work" law.

The Minimum Wage Increase Bill(S.837) would also drastically increase costs to the rural business community. S. 837 would increase the federal minimum wage to \$4.65/hour over three years, beginning with a \$.50 increase on January 1, 1988. After 1991, the minimum wage would be indexed to equal 50 percent of the average private, nonsupervisory, nonagricultural hourly wage paid in the United States.

Another anti-business bill that has been introduced is S.1265 which would require employers to provide health care coverage to all employees and their families. The benefits must include hospital care, physician care, diagnostic tests, prenatal and well-baby care and catastrophic illness protection with a limit of \$3,000 out-of-pocket expense to any participant. Employees could be required to pay up to 20% of the premium, but employees earning less than 125% of the minimum wage could not be required to contribute.

Two other important bills that Georgia Farm Bureau opposes are the parental leave(S.249) and plant closing(S.538)bills. The parental leave legislation would require employers of 15 or more persons to

provide up to 18 weeks of unpaid, job-protected leave for childbirth, adoption, or serious illness of a child or dependent parent and 26 weeks of unpaid leave for serious illness of an employee. The plant closing bill would require employers to consult with employees or a union prior to plant closings or layoffs. Because many farmers hire seasonal workers, this bill has extremely negative implications for agriculture.

The entire agricultural and rural community is watching the trade situation with interest. Trade protectionism is extremely dangerous for farmers given the fact that farmers contribute favorably to the U.S. trade balance. In addition, farmers rely heavily on imported farm inputs such as fuel, fertilizer, and machinery. We also hope that our agricultural markets are not disrupted again by embargoes for which we are still paying the price.

We have urged Congress to stay the course on the 1985 bill and reject proposals such as the Gephardt-Harkin bill which calls for more mandatory production and marketing controls. A control plan would surely cause more rural stagnation and decline.

Finally, we are greatly concerned with efforts to increase taxes and have expressed these concerns on several occasions. Local, state, and national tax rates have a powerful impact on economic development and growth. Higher taxes do not lead to a lower deficit but rather to more government spending. More real jobs are created and economies boom when individuals are allowed to keep their income and wealth.

Georgia Farm Bureau is committed to assisting in the rural development effort and we realize that the full revitalization effort cannot be accomplished by the government alone. One successful project

that our organization has undertaken to help boost the agricultural economy, is the Georgia Certified Farm Market program. The purpose of this program is to provide the producers of farm-fresh products an opportunity to market their commodities directly to the consumer through an organized roadside market effort. The consumer in turn has the satisfaction of knowing that they are purchasing a fresh product grown and marketed by a reputable, certified producer/member. This program allows the farmer a greater margin for profit by selling directly to the consumer.

On behalf of the entire membership of Georgia Farm Bureau, I would like to express my sincere appreciation to Senator Nunn and Senator Fowler for their concern over the present crisis in rural America and for taking the time from their busy Washington schedules to hold this hearing. There is hope for our rural economy. Programs such as the CRP and FIP are very positive steps in offering some alternatives to production of surplus crops. Just as important as creating helpful legislation is stopping negative legislation which would continue to send small businesses and the rural economy in general on a downward slope.

